ENCYCLOPAEDIC DICTIONARY OF ECONOMICS
(Volume Five)

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N.B. GHODKE

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CONTENTS

PREFACE

"Economics seems to apply to every nook and cranny of human experience" (*Robert A. Mundell*). "Some study of economics is at once a practical necessity and a moral obligation, for economic questions touch the daily lives of all." (*Henry Clay*). Thus, *Encyclopaedic Dictionary of Economics* which is the first of its kind in the entire literature of economics, has been prepared so as to be useful not only to under-graduate and post-graduate students of economics, teachers of economics, research scholars and economic writers, but also to economic administrators, policy makers, businessmen, statesmen and the enlightened public whose opinions influence the formulation of national and international-economic policies.

The *Dictionary* covers every important economic pronouncement made from the pre-Aristotlean days to the present (1984 Economics Nobel Prize, winner Dr. Richard Stone). In other words it encompasses all the Schools of economic thought *viz.*, ancient economic thought, mercantilism physiocracy, classical school, neo-classical school, modern school and neo-modern school. The *Dictionary* for the first time also covers ancient medieval and modern *Indian* economic thought, and economy.

"Economics is an unfinished science" (*F. Zuethen*). It is growing at a staggering rate both vertically and horizontally. The present work, accordingly, covers with its 3258 entries, the following branches of economics :

(1) History of economic thought, (2) Theory of value, (3) Monetary economics, (4) Public finance, (5) International economics, (6) Business cycles, (7) Mathematical economics, (8) Statistics, (9) Econometrics, (10) Welfare economics, (11) Economic history, (12) Agricultural economics, (13) Industrial economics, (14) Managerial economics, (15) Economics of development, (16) Economics of planning, (17) Economics of transport, (18) Economics of education, (19) Keynesian economics, (20) Marxian economics, (21) Rural economics, (22) Economics of war, (23) Economics of co-operation, (24) Research methodology, (25) Economic sociology, (26) Economic geography, (27) Economic botany, (28) Commerce, (29) Economics of love, and (30) Economics of labour.

The Dictionary includes definitions of economic terms, statements of economic laws, theories and principles with historical notes wherever necessary, descriptions of economic and financial institutions and organizations, biographical sketches of eminent economists—dead and living, foreign and Indian—with a greater accent on their important contributions

to the science of economics and finally summaries of the reports of important economic committees and commissions. I have also added an appendix containing some interesting and useful economic quotations.

"The beginner (of economics) must be warned that he will have to master a technical vocabulary. Instead of coining new words however or using Latin and Greek terms as many of other sciences do, economics has created its own vocabulary by taking words in ordinary everyday use assigning special meanings to them. Unless a student is careful, this will be a source of confusion". (*A.L. Meyers*). Accordingly this *Dictionary* will enable the beginners to acquire exact technical meaning of the economic terms.

Then there is another and very serious problem which is peculiar to economics: "More unfortunate from the student's point of view is the fact that not all economists always mean exactly the same thing when they use the same term." (*A.L. Meyers*). "In Economics the same word (concept) is variously defined. We do not have the principle of linguistic monogamy—one meaning wedded to one word. We (thus) find in Economics linguistic polygamy or Hollywood marriage." (*Kenneth E. Boulding*). Further, of all the social sciences, economics is the most controversial. In this connection F.Y. Edgeworth remarks, "We hold that for the mastery of a speculative and controversial science (which economics is) a certain multiplication of authorities is desirable. It is a false tendency on the part of the teachers to inculcate, and the pupils to learn by rote the very phrases and metaphors of a favourite author". In view of the aforesaid difficulty and in order to get over it, the views of different economists on the same concepts are put together. The cross-study of different authors should present a complete and correct idea.

The question of claiming originality does not arise at all, because Alfred North Whitehead has already settled the issue for good when he said: "Everything of importance has been said before by somebody who did not discover it."

G.L.S. Shackle in his *Economics for Pleasure* observes: "Hatred, ridicule and contempt......are the lot of economist, for he is the exponent of dismal science." However, while presenting the life sketches of economists, I have eschewed the above 'lot of economist' and have tried to concentrate on the positive contribution of these economists without myself being either idolatrous or hyper-critical.

Against each entry in the parenthesis I have mentioned the context, that is the branch of economics, in which the entry is used, so as to avoid the possible confusion in the mind of the reader.

I have spent over 20 years since I joined Yeshwant Mahavidyalaya Nanded (Maharashtra) as lecturer in economics in 1963, in reading hundreds of economic books and journals, collecting material, processing and co-ordinating it and presenting it in the present form. I earnestly hope that my pains-taking efforts will be blessed with a reward that I am placing

in the hands of the readers. I alone am responsible for any shortcomings or inaccuracies in the book and the suggestions for correction or improvement will be gratefully accepted.

I express my thanks to my first Principal G.R. Mhaisekar (later the Rajya Sabha Member) and my students for having induced me to write this book. My thanks are also due to my colleagues Prof. J.P. Karva and Prof. P.G. Nayak for having assisted me in preparing the book and Mr. N.S. Kotur and Mr. Prakash Goudellar for having typed the manuscript.

I very humbly acknowledge my deep indebtedness to all the authors and their esteemed publishers for my having consulted their books in preparing the present *Dictionary*.

I am inordinately beholden to Mr. K.M. Mittal for his having evinced interest in the present book and executed the work superbly.

Lastly, I would be failing in my duty if I do not express my thanks to my wife and children for their 'waiting' and 'abstinence'.

Dharwar N.B. GHODKE

LIST OF THE AUTHORS QUOTED

1. *Abbey Dictionary*
2. H.C. Adams
3. *Adapted*
4. A.N. Agrawal
5. H.L. Ahuja
6. Alexander
7. Allen, Buchanan and Colberg
8. R.G.D. Allen
9. *American Home Economics Association*
10. J. Amuzegar
11. Andley and Sundharam
12. Aristotle
13. *Austrian School of Economics*

14. George L. Bach
15. Walter Bagehot
16. Joe S. Bain
17. Balfour
18. C.S. Barla and H.S. Agarwal
19. Bastable
20. A.K. Basu
21. J.R. Batliboi
22. P.T. Bauer
23. P.T. Bauer and B.S. Yamey
24. William J. Baumol
25. A. Beacham
26. R.D. Bedi
27. J.F. Bell
28. P.W. Bell and M.P. Todaro
29. Frederic Benham
30. E.M. Bernstein
31. Charles Bettelheim
32. William Beveridge
33. A.B. Bhattacharya
34. *Bill of Exchange Act, 1882*
35. Mark Blaug
36. Gordon F. Bloom
37. M.B. Bober
38. J. Bocke
39. Boddington
40. Bonhe
41. Kenneth E. Boulding
42. Bowley and Stamp
43. A.L. Bowley
44. M. Bowley
45. P.R. Brahmananda
46. Briggs and Jordan
47. *British Institute of Personnel Management*
48. *British Labour Ministry*
49. B.C. Brookes and W.F.L. Diok
50. F.S. Brooman
51. Buchanan, Colberg
52. Buckle
53. *Bullion Report, 1910*
54. *Businessmen's View*
55. Raymond Bye

56. A.K. Cairncross
57. H. Calvert
58. Edwin Cannan
59. Carr Saunders
60. T.N. Carver
61. Gustav Cassel
62. J.M. Cassels
63. R.E. Chaddock
64. Edward H. Chamberlin
65. *Chamber's Twentieth Century Dictionary*
66. Mahesh Chand
67. Lester V. Chandler
68. Pei-Kang Chang
69. Chapman
70. Raja J. Chelliah
71. Michael Chisolm
72. P.N. Chopra
73. Alessandro Cigno

74. Clay
75. Colin Clark
76. Colin Clark and Margaret Haswell
77. J.M. Clark
78. R. Cohen
79. Edwin Coke
80. G.D.H. Cole
81. *Common View*
82. *Companies Act, 1936*
83. *Compiler*
84. Luigi Cossa
85. *Cottage Industries Sub-committee, India*
86. J.H.R. Cromwell and E.H. Czerwonky
87. Geoffrey Crowther
88. Norman Crump
89. W.A. Coulborn
90. A. Cournot
91. Dominick T. Coyle
92. William Cunningham
93. *Cynical definition*
94. Hugh Dalton

95. Clarence Danhop
96. M.L. Darling
97. A.B. Dass and M.N. Chatterji
98. A.K. Dasgupta
99. Sohrab R. Davar
100. Herbert J. Davenport
101. A.C.L. Day
102. M.H. deKock
103. C.D. Deshmukh
104. K.K. Dewett
105. Dewett, Singh and Varma
106. H.D. Dickinson
107. *Dictionary Meaning*
108. Dudley Dillard
109. Maurice Dobb
110. Robert Dorfman
111. E.F.M. Durbin
112. John Due

113. *The Economic Times*
114. E.Y. Edgeworth
115. Edison
116. Paul Einzig
117. D.L. Elhance
118. Howard S. Ellis
119. P.T. Ellsworth
120. Richard T. Ely
121. *Encyclopaedia Britannica*
122. *Encyclopaedia of Economics*
123. *Encyclopaedia of Social Sciences*
124. Frederic Engels
125. Escher
126. James A. Estey
127. *Everyman's Encyclopaedia*

128. Fairchild
129. Fairchild, Buck and Slesinger
130. C.R. Fay
131. W.J. Fellner
132. Robert Ferber and P.J. Verdoon
133. Fetter
134. *Finance and Development—Fund and Bank Review*
135. *First Five Year Plan* (India)
136. *Fiscal Commission Report* (1949-50) *and Working Party on Industries and Trade—ECAFE.*

136a. Irving Fisher

137. Miles Fleming
138. P. Sargent Florence
139. G.W. Forster and M.L. Leager
140. L.M. Fraser
141. *French Authority*
142. Ragnar Frisch

143. General Definition
144. Rosen George
145. Alak Ghosh
146. B.N. Ghosh
147. Charles Gide and Charles Rist
148. R.T. Gill
149. V.V. Giri
150. H.H. Gossen

151. *Government of India*
152. Henry Grayson
153. J. Gruntzel
154. R.D. Gupta
155. J.G. Gurley and E.S. Shaw
156. Gottfried Von Haberler
157. Arthur T. Hadley
158. W.W. Haines
159. R.L. Hall
160. George N. Halm
161. Earl Hamilton
162. Lewis H. Haney
163. Alvin H. Hansen
164. J.L. Hanson
165. R.F. Harrod
166. J. Harvey
167. S.F. Hasan
168. R.M. Havens, J.S. Henderson and D.C. Crammer
169. Ralph G. Hawtrey
170. F. Hayashi
171. F.A. Von Hayek
172. R.L. Heilbroner
173. Heilperin
174. Karl Helfferich
175. L. Herber and L. Hart
176. Hermann
177. M.T. Herrick
178. J.R. Hicks
179. Ursula K. Hicks
180. Benjamin Higgins
181. Justice Higgins
182. Albert Hirschman
183. J.A. Hobson
184. Harold Hotelling
185. Chiang Hsien
186. Hsu
187. Huntington
188. *India*
189. *Indian Companies Act*
190. *Indian Council of Agricultural Research (ICAR)*
191. *Indian Express*
192. *Indian Partnership Act*, 1932
193. *Indian Taxation Enquiry Commission*
194. *Industrial Finance Corporation Act, India*
195. *International Encyclopaedia of Social Sciences*
196. *Inernational Labour Organisation*
197. L.C. Jain
198. P.C. Jain
199. *James and James Mathematics Dictionary*
200. Jathar and Beri
201. W.S. John Jevons
202. John Jewkes
203. M.L. Jhingan
204. Jones
205. M.J. Jucius
206. A.E. Kahn
207. M. Kalecki
208. K.N. Katju
209. Karl Kautsky
210. R.P. Kent
211. John Maynard Keynes
212. John Neville Keynes
213. E.M. Kemmerer
214. T.W. Kent
215. O.P. Khanna
216. D. Kinley
217. Braj Kishor and B.P. Singh
218. Laurence R. Klein
219. Klim, Starkey and Hall
220. G.F. Knapp
221. S. Korteweg and E.A.G. Keesing
222. Raj Krishna
223. V.T. Krishnamachari
224. K.L. Kool
225. S.C. Kuchhal
226. Kenneth Kurihara
227. Simon Kuznets
228. *Labour Department, Government of India*

229. D.T. Lakdawala
230. B.B. Lal
231. Sanjay Lall
232. Carl Landauer
233. Oscar Lange
234. Waltair Leaf
235. *League of Nations*
236. *League of Nations Committee*
237. *Legal definition*
238. Robert Lekachman
239. Wassily Leontief
240. Abba P. Lerner
241. Jean Lescure
242. Richard A. Lester
243. Levasseur
244. Herman Levy
245. Arthur Lewis
246. Richard G. Lipsey
247. I.M.D. Little
248. Lewish Lorwin
249. Loucks and Weldon Hoots
250. Lovitt
251. J.L. Lundy

252. Macfie
253. Fritz Machlup
254. *Macmillan Committee*
255. D. Macwright
256. *Madras State Aid to Industry Act, 1947*
257. Lord Mahon
258. Tapas Majumdar
259. T.R. Malthus
260. C.B. Mamoria
261. Alfred Marshall
262. Karl Marx
263. Rajnarain Mathur
264. McConnel
265. Mcculloch
266. M.P. McNair and R.S. Meriam
267. M.A.G. Van Meerhaeghe
268. J.K. Mehta
269. V.L. Mehta
270. G.M. Meier and R.E. Baldwin
271. Votto Von Merring
272. Albert L. Meyers
273. John Stuart Mill
274. Ludwig Von Mises
275. Wesley C. Mitchell
276. J.K. Mitra
277. *Modern Reference Encyclopaedia*
278. G.S. Monga
279. W. Morris
280. S. Mukhopadhyay and D. Datta
281. Anatol Murad
282. Murray Havens, Henderson and Crammer
283. Richard, A. Musgrave
284. Hla Mynt

285. S. Nanjundan, A.E. Robinson and E. Staley
286. D.M. Nanjundappa
287. Claudio Napoleoni
288. Shanti Narayan
289. *National Board for Economy and Efficiency*
290. *National Council of Applied Economic Research (N.C.A.E.R.)*
291. *National Planning Committee of India*
292. *Negotiable Instriments Act, 1881, India*
293. E.T. Nevin
294. Newcomb
295. P.C. Newman
296. W.S. Nicholls
297. J.S. Nicholson
298. *Nuffield College Statement*
299. Rangar Nurkse
300. Nussbaum

301. Bertil Ohlin
302. Roger Orsinger

303. B.N. Pal
304. *Palgrave's Dictionary of Political Economy*
305. V.R. Panchamukhi
306. Vilfredo Pareto

307. *Parliament of England*
308. Don Patinkin
309. J. Pentmann
310. Person
311. Florence Peterson
312. William Petty
313. Arthur C. Pigou
314. E.H. Plank
315. *Planning Commission of India*
316. Plehn
317. K.N. Prasad
318. P.H. Prasad
319. A.R. Prest
320. K. Pultaswamaiah

321. *Quoted*
322. F. Quesnay

323. Rajkrishna
324. K.T. Ramkrishna
325. Melvin W. Reder
326. *Refinance Corporation of India*
327. *Reserve Bank of India*
328. David Ricardo
329. Lionel C. Robbins
330. Dennis H. Robertson
331. Joan Robinson
332. Eric Roll
333. W. Roscher
334. Sam Rosen
335. W. Rescher
336. P.N. Rosenstein-Rodan
337. W. Roscher
338. *Royal Commission of England*
339. I.M. Rubinow

340. T.N. Sachdev
341. Paul A. Samuelson
342. J. Sanmarti J.S.
343. K. Sanyasiah and A.V. Ranganadhachary
344. A.K. Saran and U.B. Singh
345. S.R. Saxena
346. J.B. Say
347. R.S. Sayers
348. W.M. Scammel
349. C.L. Schultze
350. Joseph A. Schumpeter
351. Tibor Scitovsky
352. Seager
353. *Second Five Year Plan*
354. *Securities Contracts (Regulations) Act*, 1956
355. H. Secrist
356. A. Seldon and E.G. Pennance
357. *Select Committee of Home of Lords*
358. E.R.A. Seligman
359. Sen and Mitra
360. Nassau W. Senior
361. M.L. Seth
362. G.L.S. Shackle
363. S. Shankaran
364. B.F. Shields
365. F. Shirras
366. P.D. Shrimali
367. T.S. Simey
368. Hans Singer
369. Bright Singh
370. H.K. Manmohan Singh
371. V.B. Singh
372. Adam Smith
373. Vera Smith
374. Warren Smith
375. Arthur Smithies
376. Andrew Snowfield
377. Bo Soderstein
378. George Soul
379. *South Australian Industrial Code of 1920*
380. Thomas Spates
381. M.H. Spencer and L. Siegelman
382. Joseph J. Spengler
383. Arthur Spiethoff
384. O.W.M. Sprague
385. Srivastav, Nigam, Sahai and Banerjee
386. H.G.P. Srivastava
387. S.K. Srivastava

388. Eugene Staley
389. Joseph Stalin
390. Josiah Stamp
391. *Statute of the Bank for International Settlement*
392. George J. Stigler
393. A.W. Stonier and D.C. Hague
394. Paul Studentsky
395. (*A*) *U.N. Study*
396. P.V. Sukhatme
397. K.P.M. Sundharam
398. K.P.M. Sundharam and M.C. Vaish

399. B.C. Tandon
400. F.W. Taussig
401. *Taxation Enquiry Commission of India*
402. P.A.S. Tayler
403. Philip E. Taylor
404. Max M. Tharp
405. Evelyn Thomas
406. Rollin G. Thomas
407. S.E. Thomas
408. Jan Tinbergen
409. R.N. Tiwari

410. *United Nations Organisation (UNO)*
411. *U.N. Department of Economic and Social Affairs*
412. *U.N. Sub-Committee's Report*
413. *U.S. Census of Agriculture*
414. *U.S. Department of Commerce*

415. C.N. Vakil
416. R.L. Varshney and K.L. Maheshwari
417. M.C. Vaish
418. M.C. Vaish and K.P.M. Sundharam
419. S. Venu
420. Jacob Viner

421. Adolf Wagner
422. F.A. Walker
423. Max. J. Wasserman and C.W. Hultman
424. G.S. Watkins and P.A. Dodd
425. Albert Waterson
426. Donald S. Watson
427. A.E. Waugh
428. Sydney and Beatrice Webb
429. Max Weber
430. Webstor
431. Weston and Crew
432. Whittlesey Freedman and Herman
433. Knut Wicksell
434. Philip H. Wicksteed
435. Friedrich Von Wieser
436. Oscar Wilde
437. H.F. Williamson
438. H.F. Williamson and J.A. Buttrick
439. Hartley Withers
440. Barbara Wootton
441. P.G. Wright

442. Dale Yoder
443. *Yojana*
444. Arthur Young

445. F. Zweig

SACRIFICES AND EFFORTS (*Theory of value)

The exertions of all kinds of labour that are directly or indirectly involved in making; together with the abstinences or rather the waitings required for saving the capital used in making it.

Alfred Marshall

SAINT-SIMON COMTE DE (1760-1825) (*History of economic thought)

A French nobleman. Gide and Rist regard him as the father of socialism, and sum up his economic ideas as an apotheosis of industry. His leading ideas have become known as "Saint-Simon Parable".

Saint Simon's writings were "a turbulent flood of words." His economic works included *Industry* (1817), *The Organiser* (1819), *The Industrial System* (1821), and *Question on Industries* (1823).

He wanted progress and peace for people. He held the industrialists in the highest esteem. Two years before his death, he attempted to commit suicide on account of financial difficulties.

Compiler

SAINT SIMONIANS (*History of economic thought)

The followers of St. Simon. They believing that socialisation provided the solution for all social issues, advocated abolition of private property, extinction of inheritance and centralised control of industry.

Compiler

SALES TAX (*Public finance)

A levy imposed upon the sale or elements incidental to sales such as receipts from them of all or a wide range commodities.

John Due

In India, the general sales tax as distinguished from selective sales tax was levied first by the Government of Madras in 1939.

Compiler

SAMPLE (*Statistics)

A number of objects, one or more, selected from a population or aggregate of similar objects.

B.C. Brookes and W.F.L. Dick

SAMUELSON, PAUL ANTHONY (B. 1915) (*History of economic thought)

An internationally renowned economist from Massachusetts Institute of Technology (M.I.T.) Cambridge, U.S.A. He is the first American

economist to win the Nobel prize in Economics for the year 1970. The prize was awarded to him for his "scientific work through which he has developed static and dynamic economic theory and actively contributed to raising the level of analysis in economic science." The citation said, "his extensive production covering, nearly all areas of economic theory, is characterised by an outstanding ability to derive important new theorems and to find new applications for existing ones. By his many contributions, Samuelson has done more than any other contemporary economist to raise the level of scientific analysis in economic theory. His best known work is *Foundations of Economic Analysis* (1947). In this work as well as in a large number of articles, he has rewritten considerable parts of economic theory and has in several areas achieved results which now rank among the classical theorms of eeonomics." *New York Post* described him as "a youthful scholar, high spirited, good humoured, calculatedly impetuous and even brash, with a disarming way of making firm arguments without taking himself too seriously."

Born on May 15, 1915 at Gary, Indiana, Samuelson married on July 2, 1938 and the Samuelsons have six children—three of the boys being triplets. He had his early education in Hyde Park High School, Chicago. He obtained his B.A. degree from University of Chicago in 1935 and M.A. degree from Harvard University in 1936. At Harvard he studied under Alvin H. Hansen. Harvard University awarded him Ph.D. degree in 1941 for his thesis, *Foundations of Economic Analysis.* The MIT appointed him as an assistant professor of economics in 1940, an associate professor in 1947 and institute professor in 1966. In 1941 Harvard University awarded him David A. Wells prize for his work in mathematically economics to discover certain formal similarities among them. By 1974 Dr. Samuelson was the recipient of LL.D./D. Litt./D. Sc./honorary degrees of 17 prestigious educational institutions.

Samuelson, an intellectual Everest and a highly influential economist has held a number of distinguished positions such as President, American Economic Association (1961); President, Econometric Society (1950-51); President, International Economic Association (1965-68).

He was an economic adviser to Senator, candidate and President elect John F. Kennedy.

Dr. Samuelson has written three books, edited two and has published hundreds of original and influential articles in the leading journals. His three books are:

(1) *Foundations of Economic Analysis* (1947),

(2) *Economics* (1948),

(3) *The Linear Programming and Economic Analysis* (1958) (with Robert Dorfman and Robert M. Solow).

His monumental book, *Economics : An Introductory Analysis* now in its 10th cdition, has sold more than three million copies and is translated into over 20 foreign languages. This is perhaps the first introductory text to use mathematical mcthods.

Readings in Economics (1955) which Samuelson edited was in its Scventh edition in 1973. *The Collected Scientific Papers of Paul A. Samuelson* werc publishcd in three volumes by MIT press in 1966 and 1972. Another work edited by him is *International Economic Relations* (1969).

Dr. Samuclson has the rare achievement of discovering the cssential core of logic with clarity which was not possible to the stalwarts such as Leon Walras and Alfred Marshall. His contributions, too numerous to enumerate, pertain, to lincar programming, macrodynamics, new welfare cconomics, Keynesian underemployment economics, pure logic of cconomic theory and general equilibrium analysis.

He demonstrated in his *Foundations* the formal idcntity of the theories relative to the various areas of economics. He reassessed the Classical view of international trade and revived Walrasian general equilibrium analysis. The turnpike theorem is given its name by Samuelson. He prcsented the modern trcatment of Ricardian economy. He denied the tendency towards product exhaustion even under perfect competition.

According to J.A. Schumpeter, Samuclson is the first to point out that the problem of stability cannot be posed at all without the use of an explicit dynamic scheme.

One of Samuelson's significant contributions is revealed preference theorem. This behaviourist ordinalist theory is a "move from psychological to behaviouristic explanation of consumer's behaviour in economic markets." He called this theory "fundamental theorem of consumption" and stated it as "Any good (simple or composite) that is known always to increase in demand when money income alone rises must definitely shrink in demand when its price alone rises." In other words the theorem states, "the demand for a commodity always changes in the same direction as that of a change in the income of the consumer; positively sloped income curves always imply negatively inclined demand curves."

To Samuelson, Classical economics is an "Auguen stable full of inherited contradictions, overlaps and fallacies."

Compiler

SARVODAYA (*Economics of development)

A harmonious combination of spiritualism and matcrialism and brings about both material and moral progress simultancously. It has got all the advantages socialism but it avoids nationalisation of industries and concentration of economic power in the hands of a few persons and it gives the utmost freedom of thought to every individual.

Quoted

that every producer who brings goods to the market does so only in order to exchange them for other goods.

Dudley Dillard

J.B. Say in his book *Traite d'economie Politique* stated, "c' estla production qui ouvre de's debouches aux produits." It means "It is production which creates markets for goods." Say's law which states that supply always creates its own demand is the same as Mill's statement, "consumption is coextensive with production".

A.W. Stonier and D.C. Hague

A product is no sooner created, than it, from that instant, affords a market for other products to the full extent of its own value. . . . the only way of getting of money (received for selling the commodity produced) is in the purchase of some product or other. Thus a mere circumstance of the creation of one product immediately opens a vent for other products.

J.B. Say

In an economy with a developed division of labour the means normally available to anyone for acquiring goods and services is the power to produce equivalent good and services. Production increases not only the supply of goods but, by virtue of the requisite cost payments to the factors of production, also creates the demand to purchases these goods. "products are paid for by products" in domestic as much as in foreign trade. General over-production or underproduction are impossible. This is the gist of Say's Law of Markets.

Mark Blaug

SCALE OF PREFERENCE (*Theory of value)

Classification of goods in order of preference (i.e. importance). Before purchasing the goods the rational consumer builds up his scale of preference.

A.W. Stonier and D.C. Hague

A short of list of all unsatisfied wants of a person arranged in the order of preference.

J.L. Hanson

It can also be called "Relative scale". By this phrase we must understand the whole register of the terms on which (wisely or foolishly, consistently or inconsistently, deliberately, impulsively or by inertia to to his future satisfaction or to his future regret) he will, if he gets the chance, [illegible] or that alternative.

P.H. Wicksteed

SAVINGS DEPOSITS (*Monetary economics)

The bank deposits held not for the purpose of making payments but as a means of employing savings i.e. as an investment.

J.M. Keynes

SAVINGS FUNCTION (*Monetary economics)

An algebraic equation describing the relationship between income and savings.

Raymond Bye

SAY, JEAN BAPTISTE (1767-1832) (*History of economic thought)

Popularizer of Adam Smith's ideas and founder of French Classical School.

Born at Lyons (France) in January 1667, Say had a chequered career: statesman, businessman and economist.

In 1831, he became professor of Political economy in the College de France. The next year he died. His *Cours Complet d'economie Politique* was published in six volumes in 1828-29. In 1803 appeared Say's greatest book *Treatise on Political Economy*. It was widely used in the colleges as a text-book. His another published work was *Catechism of Political Economy* (1817).

J.B. Say—the Adam Smith of France—was successful in overthrowing Physiocracy in France. According to Say, the role of the economist is to observe, to analyse and to describe and not to advise. He wrote, "The economist must be content to remain an impartial spectator. What the economists owe to the public is to tell them how and why such and such a fact is the consequence of another. Whether the conclusion be welcomed or rejected, it is enough that the economist should have demonstrated its cause, but he must give no advice." J.B. Say in whose hands political economy became a theoretical and descriptive science, accorded premier place to manufacturers unlike Smith whose hero was agriculturist.

J.B. Say is best known for his theory of markets – a first class work. His *Law of Markets* says, "It is production which creates market for goods." In other words it states that supply creates its own demand. He avered that glut or over-production was impossible and illogical.

Say defined political economy as a study of the laws governing production, distribution and consumption. He introduced the new term entrepreneur (fourth factor of production). He compared political economy with physics.

Say was not just an exponent of Smithian economic ideas; he refined them too.

Compiler

SAY'S LAW OF MARKETS (*Theory of value)

The principle which is named after the 19th century French economist, J.B. Say, states that supply creates its own demand. It means

that every producer who brings goods to the market does so only in order to exchange them for other goods.

Dudley Dillard

J.B. Say in his book *Traite d'economie Politique* stated, "c' estla production qui ouvre de's debouches aux produits." It means "It is production which creates markets for goods." Say's law which states that supply always creates its own demand is the same as Mill's statement, "consumption is coextensive with production".

A.W. Stonier and D.C. Hague

A product is no sooner created, than it, from that instant, affords a market for other products to the full extent of its own value. . . . the only way of getting of money (received for selling the commodity produced) is in the purchase of some product or other. Thus a mere circumstance of the creation of one product immediately opens a vent for other products.

J.B. Say

In an economy with a developed division of labour the means normally available to anyone for acquiring goods and services is the power to produce equivalent good and services. Production increases not only the supply of goods but, by virtue of the requisite cost payments to the factors of production, also creates the demand to purchases these goods. "products are paid for by products" in domestic as much as in foreign trade. General over-production or underproduction are impossible. This is the gist of Say's Law of Markets.

Mark Blaug

SCALE OF PREFERENCE (*Theory of value)

Classification of goods in order of preference (i.e. importance). Before purchasing the goods the rational consumer builds up his scale of preference.

A.W. Stonier and D.C. Hague

A short of list of all unsatisfied wants of a person arranged in the order of preference.

J.L. Hanson

It can also be called "Relative scale". By this phrase we must understand the whole register of the terms on which (wisely or foolishly, consistently or inconsistently, deliberately, impulsively or by inertia to to his future satisfaction or to his future regret) he will, if he gets the chance, accept or reject this or that alternative.

P.H. Wicksteed

SCALE OF PRODUCTION (*Theory of value)

Size of production. Large scale production.

K.K. Dewett

SCARCE (*Theory of value)

Limited in supply.

J.L. Hanson

SCARCE FACTOR (*Theory of value)

A factor which is in imperfectly elastic supply.

Joan Robinson

SCARCITY (*Theory of value)

It prevails wherever we cannot satiate all our wants.

G.L.S. Shackle

The limitation on productive resources and techniques making it impossible to provide sufficient output to satisfy all wants.

Havens, Henderson and Crammer

SCARCITY DEFINITION OF ECONOMICS (*General economics)

Lionel Robbins's definition of Economics. Robbins makes scarcity the central theme of economics.

Compiler

SCARCITY RENT (*Theory of value)

The rent which arises from the scarcity of homogeneous land.

A.W. Stonier and D.C. Hague

SCHEDULE (*Theory of value)

The term introduced by Prof. Alfred Marshall towards the close of the 19th century. It means list.

Compiler

SCHEDULE OF DEMAND (*Theory of value)

Demand schedule. It refers to a series of quantities of a good that will be taken by buyers at each of a corresponding series of prices.

Raymond Bye

SCHEDULE OF PROGRESSIVE TAX RATES (*Public finance)

A schedule in which the rate of taxation increases as the tax base increases,

P.E. Taylor

SCHEDULE OF (THE) PROPENSITY TO CONSUME (*Keynesian economics)

Briefly called propensity to consume, it is a schedule (list) showing the various amounts of consumption at different levels of income.

Dudley Dillard

SCHEDULE OF PROPORTIONAL TAX RATES (*Public finance)

Schedule in which the rate of taxation remains constant as the tax base changes.

P.E. Taylor

SCHEDULE OF REGRESSIVE TAX RATES (*Public finance)

A schedule in which the rate of taxation decreases as the tax-rate increases.

P.E. Taylor

SCHMOLLER GUSTAV VON (1838-1917) (*History of economic thought)

A distinguished German economist and a member of younger German Historical School. He has the credit of having ended the methodological controversy between deductive method and inductive method by saying, "induction and deduction are both necessary for the science just as the right and the left feet are needed for walking."

Compiler

SCHULTZ, THEODORE W. (b.1902) (*History of economic thought)

The American winner of 1979 Nobel prize for economic science. The Royal Swedish Academy while awarding the prize, said, "both man (Schultz and his co-winner Sir Arthur Lewis) are deeply concerned about need and poverty in the world and are engaged in finding ways out of underdevelopment... characteristic of them both is their interest in problems of economic policy."

Professor Schultz is best known for his work on the importance of human resources in economic development. The Academy continued, "Schultz and his students have shown that for a long time there has been a considerably higher yield on human capital than on physical capital in the American economy. He is a vitriolic critique of growth strategies that emphasize industry and neglect agriculture.

Born in the state of South Dacota (the U.S.A) in 1902, Schultz was educated at South Dacota State College and the University of Wisconsin. He specialised in agricultural economics, and taught at Iowa State University for 13 years until 1943 when he moved to the University of Chicago where he has remained ever since.

Dr. Schultz's famous works are:

(1) *Transforming Traditional Agriculture* (1964).
(2) *The Economic Organisation of Agriculture.*

The classical economists considered economic development as an enlargement in output. Schultz modified the definition by adding the following conditions:

(1) The per capita income should increase with an increase in the national income.

(2) The increase in national income and per capita income should be so distributed that every segment of population or community in the economy should be somewhat better off than before. According to Schultz, the basic determinants of development are: (a) increase in the quantity of reprodubible goods, (b) improvement in the quality of the people as productive agents, and (c) raising the level of productive arts. Schultz is among those who have shown that the increasing outlay on education is responsible for America's phenomenal growth.

Schultz has suggested the following measures to develop human capital: (i) health facilities and services, broadly conceived to include all expenditures that affect life expectancy, strength and stamina of the people, (ii) on-the-job training, (iii) formally organised education at all levels, (iv) study programmes for adults, and (v) migration of individuals and families to adjust to changing job opportunities.

Emphasizing the crucial role of agriculture in development, Schultz writes, "In a high food-drain economy where most of the income of the community is represented by food, there is little room except in agriculture for new and better production possibilities, because the productive efforts required to produce are so large a part of the whole. He holds that politics is disturbing the agricultural process.

Schultz does not believe in the concept of disguised unemployment. He writes, "I know of no evidence of any poor country anywhere that would even suggest that a transfer of small fraction, say five per cent of the existing labour force out of agriculture, with other forces being equal, could be made without reducing agricultural production." Alluding to zero marginal productivity of agriculture, Schultz remarks: "The conclusion with respect to the doctrine that a part of the labour working in agriculture in poor countries has a marginal productivity of zero is a false doctrine. It has roots that make it shaky. It rests on the shaky theoretical foundations."

Compiler

SCHUMPETER, JOSEPH ALOIS (1883-1950) (*History of economic thought)

A brilliant Austrian economist of global reputation.

Born in Triesch, Moravia, (then in Austria and now in Czechoslovakia) in 1883, Schumpeter lost his father—a cloth manufacturer—at the age of four. He received his early education in Viennese schools. In 1901 he joined the University of Vienna for studying law (the study of law included economics and politics) and awarded Ph.D. degree in 1906. For some years he practised law and gave it up as he fell in love with economics—queen among the social sciences. He studied economics under eminent professors such as Bohm-Bawerk and Wieser and many seminars and read papers. Prof. Bohm-Bawerk got him a lecturership in the University of Vienna. Later on he was professor at the University of Czernowitz (now in the U.S.S.R). In 1919, he served for seven months as Minister of Finance of the Austrian Republic but returned to economics, as he failed as a politician. In 1925, he was appointed professor of economics at the University of Bonn. He came to Harvard in 1927-28 and again in 1930 and finally in 1932. From 1932 till his untimely death on January 8, 1950, Schumpeter worked as professor of economics at Harvard University.

Prof. Schumpeter – a genius with prodigious capacity to work and breadth of experience which was unusual for economists of his generation —was a founder-member of Econometric Society, later its president (1937-41) and the elected president of American Economic Association (1949). (He was the first foreigner to be the president of the AEA).

Joseph Schumpeter, a prolific writer, wrote a number of books, papers and articles. His major works are:

(1) *The Theory of Economic Development* (1912) (English Translation, 1934),
(2) *Business Cycles* (2 volumes) (1939),
(3) *Capitalism, Socialism and Democracy* (1942),
(4) *Ten great Economists* (1951),
(5) *Imperialism and Social Classes* (1951),
(6) *History of Economic Analysis* (1954) (edited by his wife),
(7) *Econometric Doctrine and Method* (1957).

Schumpeter who had acquired mastery on every branch of economics, held that every method of study was required : deductive method for price theory; historical method for the study of economic organisation. At his later life he discarded statistical method which he himself had developed. To him historical method was, however, more important. While "most of the Austrian theorists left the entire field of business cycles and economic change untouched Schumpeter developed a system of his own in which economic change was analyzed through the general equilibrium economics of Walras and Pareto."

Schumpeter had wholehearted admiration for capitalist system. He preferred the relatively uninhibited and undemocratic capitalism

accompanied by a high level of cultural attainment which prevailed in Europe before the World War I to the modern capitalism that has developed since. . . Much as he admired the capitalistic system, however, he shared the gloomy prognosis of the Classical school and Marx. He believed that capitalism would eventually stagnate and break down. Accoding to him not the failures of capitalsm, but its very success, would eventually lead to the slaughter of the goose that lays the golden eggs." (B. Higgins) Schumpeter had great reverence for Karl Marx and agreed with the latter's prophecy that capitalism would be doomed.

Schumpeter propounded innovation theory of business cycles. He stated the theory thus: "The booms consist in the carrying out of innovations in the industrial and commercial organism. By innovations I understand such changes of the combinations of the factor of production as cannot be effected by infinitesimal steps or variations on the margin. They consist primarily in changes in methods of production and transportation or in changes in industrial organisation, or in the production of a new article, or in the opening up of a new markets or of new sources of materials. The recurring periods of prosperity of the cyclical movements are the form progress takes in capitalistic society." Schumpeter distinguished three trade cycles: the short Kitchin cycle of approximately 40 months duration, the longer Juglar wave averaging 9½ years, length and the very long Kondratieff wave taking more than 50 years to run its course.

In Schumpeterian scheme of economic development, entrepreneur is the central figure whose function is carrying out innovations.

Compiler

SCHUMPETER'S HERO (*Economics of development)

Innovating entrepreneur.

G.M. Meier and R.E. Baldwin

SCIENCE (*General economics)

Any reasoned or theoretical body of knowledge that explains a group of homogeneous phenomena with the purely speculative aim of attaining complete knowledge in that field.

Luigi Cossa

SCIENTIFIC LAW (*General economics)

A generalisation that is universally valid.

Frederic Benham

A general proposition or statement of tendencies more or less certain, more *or* less definite.

Alfred Marshal

SCIENTIFIC MANAGEMENT (*Managerial economics)

Frederick W. Taylor (vide his *Principles of Scientific Management*, 1911) is generally regarded as the father of scientific management. Taylor believed that the principal objective of management should be to "secure maximum prosperity for the employer coupled with the maximum prosperity for each employee."

The term characterises that form of organisation and procedure in purposive collective effort which rests on the principles or laws derived by the process of scientific investigation and analysis instead of on tradition or on policies determined empirically and casually by the process of trial and error.

Person

It is a body of rules together with their appropriate expression in physical and administrative mechanisms and specialised executives, to be operated in coordination as a system for the achievement of a new strictness in the control and process of production.

Jones

It is a philosophy of management or an approach to management problems whereby experimentation and analysis displace the blind acceptance of things traditional and conventional.

J.L. Lundy

SCRIP (*Monetary economics)

Money issued by local governments, to which a tax stamp must be attached each week in order to maintain its validity.

W.W. Haines

SEASONAL VARIATIONS (*Business cycles)

Fluctuations in any component of business activity that recur fairly regularly at the same period each year.

W.W. Haines

Seasonal fluctuations are the variations in activity that take place within the period of a calendar year and presumably are due to causes connected directly or indirectly with the physical season.

James A. Estey

Variations in climate or climate generated fashion.

A.C. Pigou

Lesser economic fluctuations caused by the influence of seasonal changes on the volume of business each year.

Raymond Bye

SECOND LAW OF SUPPLY AND DEMAND (*Theory of value)

The higher the price, the greater the quantity which will be supplied.

J.L. Hanson

[See "First law of supply and demand—Compiler.]

SECONDARY DEFLATION (*Monetary economics)

By which it is intended to convey that the deflation does not come about independently but is induced by the maladjustment in the structure of production which has led to the breakdown.

Gottfried Von Haberler

SECONDARY EMPLOMENT (*Keynesian economics)

The employment which occurs in consumption goods industries as a result of the primary employment in investment industries.

Dudley Dillard

SECTORAL BOTTLENECKS (*Economics of development)

Particular economic sectors where output is sluggish.

Andrew Shonfield

SECULAR PERIOD (*Theory of value)

Very long period.

Compiler

SECULAR STAGNATION (*Economics of development)

It refers to a mature phase of capitalist development in which net saving at full employment tends to grow whereas net investment at full employment tends to fall.

It denotes long-term trend towards a relative contraction in economic activity and an increased intensity and prolongation of short period depressions.

G.M. Meier and R.E. Baldwin

The essence of secular stagnation is sick recoveries which die in their infancy and depressions which feed on themselves and leave a hard and seemingly immovable core of unemployment.

Alvin Hansen

SECULAR TREND (*Business cycles)

The continuous rise in volume of production, real income, production of particular commodities, real wages etc.

Gottfried Von Haberler

A long-term, persistent (but necessarily steady) movement of any component of business activity in one direction.

W.W. Haines

Upward or downward course of sustained development exhibited in any activity over periods that are relatively long.

J.A. Eastey

The long-term growth or decline of an industry or an economy.

Fairchild, Buck and Slesinger

SECURITIES (*Monetary economics)

Claims to wealth such as stocks and bonds.

W.W. Haines

SECURITIES RESERVES (*Monetary economics)

A proposal that banks banks be required to hold a certain amount government securities in addition to their other reserves.

W.W. Haines

SELECTIVE CREDIT CONTROL (*Monetary economics)

Also called qualitative credit control, it refers to controlling credit in particular directions.

R.S. Sayers

Measure that would influence the allocation of credit, at least to the point of decreasing the volume of credit used for selected purposes without the necessity of decreasing the supply and raising the cost of credit for all purposes.

L.V. Chandler

Regulation of bank credit for specific purposes or particular segments of the economy is known as selective or qualitative credit control. Its aim is to encourage essential economic activities.

M.C. Vaish

The regulation of credit for specific purposes or branches of economic activity is termed as selective or qualitative credit control.

Reserve Bank of India

SELF-LIQUIDATING LOAN (*Monetary economics)

A loan which the debtor is thought sure to be able to repay.

R.S. Sayers

SELF-LIQUIDATING PAPER (*Monetary economics)

Bill of exchange. Because of this quality, it is called the sound banking asset.

R.S. Sayers

SELF SUSTAINING GROWTH (*Economics of development)

The stage at which the economy is in a position to provide suffieient savings for sustaining the investment programmes essential for a reasonable rate of growth thereafter.

Alak Ghosh

SELIGMAN EDWIN R.A. 1861-1939 (*History of economic thought)

A noted American economist and chief editor of 15-volume celebrated *Encyclopaedia of the Social Sciences.*

Born in New York and educated at the Columbia University, Seligman was a very popular teacher and an expert in public finance.

His publications include:

(1) *Economic Interpretation of History* (1902),
(2) *Principles of Economics* (1905),
(3) *Progressive Taxation in Theory and Practice* (1908),
(4) *She Shifting and Incidence of Taxation* (1921).

Compiler

SELLING (*Commerce)

The act of exchanging goods and services.

Forster and Leager

SELLING COSTS (*Theory of value)

Costs incurred on advertisement and salesmanship.

Frederic Benham

The costs nessary to pursuade a buyer to buy one product rather than another

A Meyers

All expenditure designed to create, increase or maintain the demand for a firm's products.

Costs incurred in order to alter the position or shape of the demand curve for a product.

Edward Chamberlin

SENIOR NASSAU WILLIAM (1790-1864) (*History of economic thought)

A great English Classical economist. Born in Berkshire Senior was educated at Eton and Magdalen college, Oxford, and took his B.A. with honours in 1812 and M.A. in 1815. In 1819 he was called to the Bar. He became the first professor of Political economy in Oxford university. He held the post twice for 12 years. For some time he was also the professor of Political Economy at King's college, London. He served as a member on five Royal commissions.

Senior wrote the following books:

(1) *An Outline of Political Economy* (1836),
(2) *An Introductory Lecture on Political Economy* (1827),
(3) *Three Lectures on the Transmission of the Precious Metals and Mercantile Theory of Wealth,*
(4) *Two Lectures on Population* (1831),
(5) *Three Lectures on the Cost of Obtaining Money and Some Effects of private and Government paper Money* (1830),
(6) *Three Lectures on the Rate of Wages* (1831),
(7) *Four Introductory Lectures* (1852).

Senior to whom political Economy was a science of wealth, observed, "The business of Political Economist is neither to recommend nor to advocate. . . ." He adopted deductive method of study. He laid down the following four postulates:

(1) That every man desires to obtain additional wealth with as little sacrifice as available.

(2) That the population of the world is limited by moral or physical evil or by the deficiency of the articles required by the people.

(3) That the powers of labour and other instruments may be definitely increased.

(4) Additional labour employed on the land produces diminishing output. (This is the law of diminishing returns).

Senior defined value as "that quality in anything which fits to be given and received in exchange". According to him, anything which possesses the qualities of transferability, relative scarcity and utility, has value. He criticised Marx's labour theory of value and held that value was determined by demand and supply on the one hand and cost of production on the other. He defined cost of production as "the sum of the labour and abstinence necessary to production". To him abstinence was a factor of production. By abstinence he meant "that agent, distinct from labour and the agency of nature, the concurrence of which is necessary to capital and which stands in the same relation to profit as labour does to wages."

Senior classified monopoly into four groups viz., comparative advantage monopoly, absolute monopoly, land monopoly and copy right monopoly. In his opinion the qualities of money were durability, stability, portability and divisibllity.

Senior's significant contribution to Economics is the introduction of the term abstinence and abstinence theory of interest. He is, among all forerunners of utility analysis, the least neglected.

Compiler

Then he founded the Economic Research Ctntre in new Delhi unitl his untimely death on February 20, 1978.

Shenoy was a visiting professor of Economics at London School of Economics (1963) and Hillsdale college. He was a member of several bodes. In 1957, he was the president of the Indian Economic Association. He undertook a lecture tour to many universities in the U.S.A. on invitation.

Prof. Shenoy was a foremost liberal economist, a believer in competitive market. He was a staunch opponent of straight-jacket planning and state capitalism. He stood for free economy. At the same time he was opposcd to monopoly, capital-intensive technique and injudicious industrialisation. He attached highest importance to agricultural sector. He was all the time interested in the maximum welfarc of the masses. He was the lone Indian economist to launch a war against PL 480 finance, and he coined the term PL 480 inflation. He observed, "Neither logic nor empirical evidence supports the view that inflation is a necessary occompaniment of economic development".

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Ceylon Currency and Banking.
...terling Asset of Reserve Bank of India.
... plan.
... Depression and the Way out.
480 Aid and India's Food Problem.
... Planning and Economic Development.
... Economic Policy.

(*Monetary ... omics)
...urities capable of being shifted to be turned ...s or institutions or persons willing to the ... are said to have the attribute of

R.S. Sayers

...ics)
... one market or sells in another.

Forster and Leagre

...conomics)
...en days.

R. Mathur

...Business cycles)
...out a position of equilibrium caused by the bunching

J. Schumpeter

(1) *Sixty Years of Indian Finance* (1858-1919) (1921)
(2) *Indian Currency, Exchange and Banking* (1922)
(3) *Trade, Tariffs and Transport in India* (1923)
(4) *Wealth and Taxable Capacity in India* (1924)
(5) *The Russian Experiment* (1929)
(6) *Federal Finance in India* (1929)
(7) *World Depression* (1933)
(8) *The Consequences of Post War Price Changes* (1934)
(9) *Principles of Planning* (1947)
(10) *India's National plan* (1947)
(11) *How India pays for the War?* (1943)
(12) *Ancient Foundction of Economics in India* (1951)

Prof. Shaw is one of those who are instrumental for the commencement of planning era in India. He defined planning as "the technical co-ordination, by disinterested experts, of consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standard of living but must include cultural and spiritual values, and the human side of life. Thus the essence of planning is a simultaneous advance on all fronts and in all sectors". He dubbed all lawyers and merchants as parasites.

Compiler

SHENOY, BELLIKOTH RAGHUNATH (1905) (*History of economic thought)

A well-known Indian economist. Born on June 3, 1905 in Bellikoth, a village in Karnataka, of zamindar parents had his High School education at Kasargod. Soon after passing High School examination, he joined Gandhian movement. He was put behind bars. Pt. Madan Mohan Malaviya got Shenoy, admitted to Banaras Hindu university which gave him (Shenoy) M.A. (first class first) degree in 1928. His teacher prof. G.N. Singh sent him to London School of Economics for M.Sc. studies. Here he came under the good books of Dr. F.A. Von Hayek. He sat for I.C.S. examination but was rejected for having participated in Satyagraha movement.

Returning to India, he worked in Wadia College (Poona), Gujarat College, Ahmedabad and Raja Ram College, Kolhapur. In 1936 he proceeded to university college of Colombo as lecturer in economics. He married there in 1936. He returned to India in 1942 to become the principal of S.L.D. college, Ahmedabad. He was with the R.B.I. during 1945-51 and then he became an Executive Director of the IMF. In 1954, he became professor of economics in Gujarat university. The same year he founded the university school of social sciences which he directed till 1968.

Then he founded the Economic Research Ctntre in new Delhi unitl his untimely death on February 20, 1978.

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(1) *Ceylon Currency and Banking.*
(2) *Sterling Asset of Reserve Bank of India.*
(3) *Bombay plan.*
(4) *Post-war Depression and the Way out.*
(5) *P.L. 480 Aid and India's Food Problem.*
(6) *Indian Planning and Economic Development.*
(7) *Indian Economic Policy.*

SHIFTABILITY (*Monetary economics)

When the securities of bank are capable of being shifted to be turned into cash very quickly to other banks or institutions or persons willing to supply of cash; the said securities are said to have the attribute of shiftability.

R.S. Sayers

SHIPPER (*Agricultural economics)

A middleman who buys in one market or sells in another.

Forster and Leagre

SHORT BILL (*Monetary economics)

Bill payable within ten days.

R. Mathur

SHORT CYCLES (*Business cycles)

Oscillations about a position of equilibrium caused by the bunching of innovations.

J. Schumpeter

SIGHT RATE OF EXCHANGE (*International economics)

The rate at which a bank will purchase or sell foreign currency bills which are payable at sight, that is, on presentation to the acceptor.

Norman Crump

SILVER STANDARD (*Monetary economics)

A situation in which the nation's monetary unit is stabilized in terms of silver.

L.V. Chandler

SIMPLE COMBINATION (*Industrials economics)

An industrial combination arising out of the direct association of natural persons such as partnership firms and joint-stock enterprises.

S.C. Kuchhal

SIMPLE DEBENTURE (*Monetary economics)

A debenture where no security is given for payment of interest or payment of the principal.

A.K. Basu

SIMMN HERBET A. (B. 1916) (*History of economic thought)

American winner of Nobel prize for Economic science for the year 1978. The prize was awarded for his "pioneering research into the decision making process within economic organisation". The Royal Swedish Academy said, "Modern business economics and administrative research are largely based on Simon's ideas". In the words of Simon himself his work is "an attempt to modify classical economic theory which essumed that they had perfect information and that they were able to make any complicated computations. The work I did, tried to take into account limits on people's ability to compute and deal with incomplete information and sometimes overwhelming information".

Simon whose contribution covers applied mathematics, statistics, operation analysis, business administration and economic theory, was born on June 15,1916 in Milwankee, Wisconsin. U.S.A. He took his degree and doctrorate from Chicago university in 1936 and 1943

Dr. Simon has held a number of high positions some of which are as follows:

(1) Staff member of International City Management's Association.
(2) Assistant Editor, *Public Management.*
(3) Director, Administrative Measurement Studies in the university of California.
(4) Head, Deptt. of Political and Social science.
(5) Professor of Administration, Carnegie Institute of Technology, Pittsburgh.

(6) Richard King Mellon Professor,
(7) Head, Deptt of Industrial Management.
(8) Ford Distinguished Visiting Professor, New York University.
(9) Lecturer in Princeton, North Western, Harvard universities and the M.I.T.,
(10) Consultant to Cowles Fundation for Research in Economics.
(11) Member, President's Science Advisory Committee.
(12) Member, Editorial Advisory Board of the *International Encyclopaedia of Social Sciences*.
(13) Fellow, the Econometric Society, American Association for the advancement of Science, American Academy of Arts and Sciences, American Psychological Association, American society for Computing Machinery.
(14) Vice president, National Academy of Science of the Institute of Management Sciences.

Prof. Simon who teaches at present (at the time of winning Nobel Prize) business administration, Psychology and computer science, at Carnegie-Mellon University' Pittsturgh, Pennslyvania, is an awardee of honorary degrees of the universities of Yale, Chicago, Lund Erasmus and McGill and the Netherland School of Economics.

Simon's important publications are:

(1) *Administrative Behaviour* (1947)
(2) *Public Administration*
(3) *Organisation*
(4) *Models of Man*
(5) *The New Science of Management Decision.*
(6) *Fiscal Aspects of Metropolitan Consolidation.*
(7) *Technique of Muncipal Administration.*
(8) *Measuring Muncipal Activities,*
(9) *Human Problem Solving and the Sciences of the Artificial,*
(10) *The Shape of Automation,*
(11) *Planning Production, Inventories, and Workforce.*
(12) *Representation and Meaning,*
(13) *Local Public Administration,*
(14) *Fundamental Research in Administration.*

Simon rejects the Classical assumption that the firm is an omniscent, rational profit maxizing entrepreneur. He describes the company as an adaptive system of physical, personal, and social component that are held together by a network of inter-communications and by the willingness of its members to co-operate and strive towards a common goal. The core of his idea is: "Individual companies strive not to maximize profits but to find acceptable solutions to acute problems".

The great advantage with Dr. Simons' ideas is that they correspond closely to the real situation in companies around the world. Simon is a leading representative in the faculty of business administration.

Compiler

Herbert A. Simon, a one time member of the President's Science Advisory Committee (1968-72) has been distinguished as a prolific writer on behavioural analysis and is associated with numerous organisations of high repute.

It was simon who first spoke of "satisficing approach" as the best way of decision-making under imperfect knowledge and uncertainty—that instead of maximum profit it is quite possible that an entreprenur may seek to earn a satisfactory profit level consistent with" certain share of the market or a certain level of sales".

In the field of computer simulations, Simon, along with Allan Newell, introduced the General Problem Solver (GPS) to simulate human thinking and problem solving behaviour. He is a leading representative of the Carnegie approach to management of organisation which focusses on the processes and procedures for decision making. Simon has significantly contributed to production scheduling and other related topics as employment scheduling, inventory scheduling.

Simon's books have been translated into a total of 13 other languages including Turkish, Persian and Chinese.

S. Mukhopadhyay and D. Datta

SINGH, VIR BAHADUR (1924-78) (*History of economic thought)

A noted left-wing Indian economist.

Born in a middle class peasant family in Surajpur village of Azamgarh district on October 1, 1924, V.B. Singh obtained his M.A. degree in Economics in 1946 and started teaching Economics in Delhi University. He joined Lucknow university in 1948 Subsequently he became professor and Head of the Department and held the post till his death. Professor Singh completed his Ph. D. thesis in just two years and in 1968 obtained D. Litt. degree. His D. Litt. thesis dealing with the theories of development and their relevance to India won approbation of world famous economists such as Michael Kalecki, Maurice Dobb and J.K. Mehta.

Dr. Singh, a prolific writer, published more than a dozen books and over 50 articles. His famous book is *Industrial Labour in India*. Dr. Singh who widely travelled and lectured in many foreign universities was an Economic consultant to the Economic Commission for Africa, under the aegis of the UN. Dr. Singh, an active figure in the trade union movement was the founder-Director of the Indian Society of Labour Economics as well as Giri Institute of Development Studies. Since 197[illegible] till his death he was Rajya Sabha Member. For many years, he edited the *Indian Journal of Labour Economics*.

Dr. Singh suddenly died of heart attack on 18th July 1978. At the time of his death, he was preparing two books *History of Modern Indian Economic Thought* and *Indian Labour Economics* and was revising and enlarging the third edition of his *The Indian Economy—Yesterday and Today*.

Compiler

SINGLE TARIFF (*International economics)

A tariff under which no distinction (in tariff rates) is made between the import of the good from one country and from another except that it may be allowed free entry from certain countries.

Gottfried Von Haberler

SINK OF PRECIOUS METALS (*Monetary economics)

An epithet applied to India in view of her propensity to hoard great stores of gold and silver.

Compiler

SINKING FUND (*Public finance)

A fund for repayment of funded debt.

P.E. Taylor

SISMONDI JEAN CHARLES (1773-1842) (*History of economic thought)

A Swiss economist and historian. Born in Geneva, Sismondi was a contemporary of great economists such as Malthus, Ricardo, Say and List, and was a follower of Smith and admirer of classical economic doctrines.

Sismondi was the first to call "Orthodox School". "He was the first to give expression to the belief that industrial society tends to separate into two absolutely distinct classes—those who work and those who possesf or as he put it the rich and the poor". He expounded the law of concentration of capital. He was not a socialist, but he is much "much read and carefully studied" by the socialists.

Sismondi to whom political economy was the science charged with guarding the happiness of mankind, and a theory of charity wrote, *inter alia*, the celebrated book *Nouveaux Principles d'economic Politique* (1819). His two great works on history are:

(1) *L'Histoire des Republiques italiennes* (16 volumes),
(2) *L'Histoire des Francais* (over 40 volumes).

Compiler

SITE RENT (*Theory of value)

Economic rent of urban lands.

Fairchild, Buck and Slesinger

SIXTH FIVE-YEAR PLAN OF INDIA (*Economics of planning)

The fifth Five-Year Plan was terminated one year in advance in 1978 by the new (Janata) Government. The sixth Five Year Plan commenced in 1978 and should have ended in 1983. But in 1980, the Janata Government headed by Mrs. Indira Gandhi came to power. The Cong-I Government abolished the old Sixth Plan (1978-83) and launched the new Sixth Plan (1980-85) on April 1, 1980.

The following is a brief account of the new sixth plan 1980-85):

Total outlay of the plan Rs. 172210 Cr. (including current outlay of Rs. 13500 cr.)

Total investment outlay—Rs. 158710 cr.

Total public sector outlay—Rs. 97500 cr.

Total private sector outlay—Rs. 74710 cr.

Resources from domestic source—Rs. 149647 cr. (94.3%).

External aid—Rs. 9063 cr. (5.7%)

Share of the public sector—53%

Share of the private sector—47%

Break-up of the public sector outlay is as follows :

Centre	*States*	*Union Territories*	*Total*
Rs. 47250 cr.	Rs. 48600 cr.	Rs. 1650	Rs. 97500 cr.

Sector-wise allocation of public sector outlay is as under.

		(Rs. crores)
(I)	Agriculture	5,695.07
(II)	Rural development	5,363.73
(III)	Special area progrmme	1,480.00
(IV)	Irrigation and flood Control	12,160.03
(V)	Energy	26,535.44
(VI)	Industry and minerals	15,017.57
	(a) Village and small industries	1,780.45
	(b) Large and medium industries	13,237.12
(VII)	Transport	12,411.97
(VIII)	Communication, information and broadcasting	3,134.26
(IX)	Science and technology	865.20
(X)	Social services	14,035.26
(XI)	Others	801.47
	Total	97,500.00

The sixth plan has the following objectives:

(i) a significant step up in the rate of the growth of the economy, the promotion of efficiency in the use of resources and improved productivity;
(ii) Strengthening the impulses of modernisation for the achievement of economic and technological self-reliance;
(iii) a progressive reduction in the incidence of poverty and unemployment;
(iv) a speedy development of the indigenous sources of energy with proper emphasis on conservation and efficiency in energy use;
(v) Improving the quality of life of the people in general with special reference to the economically and socially handicapped population through a minimum needs programme whose coverage is so designed as to ensure that all parts of the country attain within a prescribed period nationally accepted standards;
(vi) strengthening the redisttibutive bias of public policies and services in favour of the poor contributing to a reduction in inequalities of income and wealth;
(vii) a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits;
(viii) promoting policies for controlling the growth of population through voluntary acceptance of the small family norm;
(ix) bringing about harmony between the short and the long-term goals of development by promoting the protection and improvement of ecological and institutional strategies; and
(x) promoting the active involvement of all sections of the people in the process of development through appropriate education, communication and institutional strategies.

The removal of poverty is the foremost objective of the sixth plan. The plan aims at a growth in gross domestic product of 5.2 per cent a year and per capita income by 3.3 per cent per annum.

In view of the acute inflationary situation, the sectoral outlays and priorities are liable to be revised from time to time.

Compiler

SIZE OF POPULATION (*Demography)

The absolute number of people occupying the territory of a country or region.

Editors: H.F. Williamson and J.A. Buttrick

SLAUGHTER ANIMALS (*Agricultural economics)

The older beef cattle that are in condition for processing.

G.W. Forster and M.C. Leager

SLAVERY (*Economics of labour)

A system under which the person of the worker is owned by his master and could be bought and sold.

Maurice Dobb

SLEEPING PARTNERS (*Industrial economics)

The partners in a partnership, who have invested their capital in the firm but do not take any active part in the working of the concern.

Davar

SLUTSKY, EUGEN (1880-1948) (*History of economic thought)

A distinguished Russian economist. He is one of the builders of the indifference curve analysis.

Compiler

SLUTSKI EFFECT (*Theory of value)

The formal proof of the phenomenon that demand curve must generally be negatively sloped if the income effect is regarded or that the substitution effect will always work in the opposite direction of a price change.

P.W. Bell and M.P. Todaro

SMALL SCALE INDUSTRY (*Industrial economics)

An industrial unit with a capital investment in plant and machinery (fixed capital) of not more than Rs. 10 lakhs (at constant prices) irrespective of the number of persons employed.

Government of India

SMITH, ADAM (1723-90) (*History of economic thought)

Father of Political Economy. He is hailed as "the Adam and Smith of economics", "the greatest of all economists" and "the greatest of the great writers on economic theory."

Adam Smith who lost his father when he was still in his mother's womb, was born on 5th June 1723 in a tiny town of Kirkcaldy, Scotland. At the age of three he was stolen by Gypsies but was later restored to his mother. At 14 he joined the University of Glasgow. Here he was taught by Francis Hutcheson. When 17, he joined Balliol College at Oxford, stayed there for six years, and obtained B.A. degree in 1744. In 1747, he returned to Kirkcaldy. Next year, he moved to Edinburg and delivered a free course of lectures on English literature and political economy. In 1751, he was appointed professor of Logic at the University of Glasgow. In 1752 he became the professor of Moral Philosophy (in the same University). He held the post until 1763.

In 1759, Smith published his best-seller *Theory of Moral Sentiments*. This book was a turning point in his life. It brought him the fame of

being England's foremost philosopher. In 1762, the Glasgow University conferred upon him the LL.D. degree. Charles Townshend, the statesman, was so impressed with the book that he offered Smith the position of Tutor to the young Duke of Buccleuch. Adam Smith accepted the offer; resigned his chair in 1763; and began the Grand Tour of Europe with the Duke in early 1764. In 1766, while at Toulouse, he began writing a book to "pass away the time." In France he met Quesnay and Voltaire. In 1776, after three years of travel, Smith returned to London and then to Kirkcaldy and set about revisiting and finishing the book. It was published in 1776. The book was *An Inquiry into the Nature and Causes of the Wealth of Nations*, "the most successful not only of all books on economics but, with the possible exception of Darwin's *Origin of Species* (J.A. Schumpeter). In 1778, Smith was appointed commissioner of custom to Edinburg. He held the post till he breathed his last in 1790.

Adam Smith was a bachelor. He was very absent minded and eccentric true to the nature of great men.

Adam Smith's all pioneering ideas are found in his *Wealth of Nations*—the first ever systematic treatise on scientific economics. This great book known for its marvellously elegant style became the gaide for successive generations and the starting point of all their speculations and "This solitary Scotchman has by publication of one single work contributed towards the happiness of man more than that has been affected by the united abilities of all the statesmen and legislators of whom history has presented an authentic account" (Buckle). Walter Bagehot remarked, ". . . . No other from of Political Philosophy his ever had one thousandth part of the influence on us."

According to Smith, Political economy is a science that deals with the nature and causes of the wealth of nations.

The main theme of the *Wealth of Nations* is economic development: the long-term forces that govern growth of the wealth of nations. While foreign trade was the source of wealth to the Mercantilists, and agriculture to Physiocrats, labour was the source of wealth to Adam Smith. He wholly sympathised with workers and not with capitalists and manufacturers. As a matter of fact, the whole book is a direct attack on the mean rapacity, the monopolizing spirit of merchants and manufacturers who neither are nor ought to be the rulers of mankind. Smith wrote: "our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price and there by lessening the sale of their goods both at home and abroad. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people." By holding that labour is the only source of wealth, Smith propounded the famous labour theory of value which Karl Marx later made the basis of his analysis of exploitation of labour by the capitalists.

Smith was the first to give the celebrated concept of division of labour and to analyse its contribution to industrial efficiency and growth.

He gave the famous maxim: the division of labour is limited by the extent of market. He while attaching importance of capital, coined another phrase: industry is limited by capital. In spite of his obsession with capital, Smith was not oblivious of the great role of agriculture.

Adam Smith distinguished between value-in-use and value-in-exchange and with the help of this he resolved the diamond-water paradox which says that diamond is costly though its use value is less but water is cheap although its use value is high. He spoke of natural value which is identical as Marshall's normal value. He introduced the controversial distinction between productive labour and unproductive labour.

Smith, an opostle of economic liberalism and individualism, advocated free trade and laissez-faire. He said, "what is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom."

He expounded the famous idea of "invisible hand" according to which "The interest of the community is simply the sum of interests of the members who compose it; each man if left alone will seek to maximize his own wealth; therefore all men if unimpeded will maximize aggregate wealth".

Smith enunciated four famous canons of taxation: (i) canon of certainty, (ii) canon of ability, (iii) canon of convenience and (iv) canon of economy.

Compiler

SOCIAL ADMINISTRATION (*Welfare economics)

A part of modern public administration, which concerns itself with provision of social services whose objective is to improve on the conditions of the life of individual in the settling of family and group relations.

T.S. Simey

SOCIAL CAPITAL (*Economics of development)

Fundamental social and economic services such as educational and health facilities, communication systems, electricity generating plants etc.

Alak Ghosh

It is sometimes defined as productive capital because it increases national income in a real sense.

Briggs and Jordan

SOCIAL CLIMATE (*Economics of development)

J.A. Schumpeter's concept.

A complex phenomenon reflecting the whole social, political and socio-psychological atmosphere within which entrepreneurs must operate.

Benjamin Higgins

SOCIAL COST (*Theory of value)

Cost from the standpoint of the community.

Briggs and Jordan

SOCIAL DUMPING (*International economics)

It is said to occur when the producers in one country pay lower wages or give their workers poor conditions than do their foreign competitors.

Gottfried Von Haberler

SOCIAL ECONOMY (*General economics)

Another name for economics.

Compiler

SOCIAL EXPENDITURE (*Public finance)

It comprises expenditure on education, public health, social insurance schemes etc.

Compiler

SOCIAL INSURANCE (*Economics of labour)

Also called social security, it refers to a device to provide benefits as of right for persons of small earnings, in amounts which combine the contributive effort of the insured with subsidies from the employer and the state.

V.V. Giri

SOCIAL LAW (*General economics)

A law of social science. A statement of social tendencies; that is a statement that a certain course of action may be expected under certain conditions from members of a social group.

Alfred Marshall

SOCIAL MARGINAL PRODUCTIVITY CRITERION (*Economics of development)

It is a refined version of the equal marginal product theory. This theory was put forward by A.E. Kahn in 1951 and was later elaborated by Hollis B. Chenery. According to this view, the benefit of an additional unit of investment has to be estimated not with reference to what it would yield to the private investor, but by the total net contribution of the marginal unit to national product.

Bright Singh

The correct criterion for obtaining the maximum return from limited resources is social marginal productivity, taking into account the total net contribution of the marginal unit to national product and not merely that portion of the contribution (or its costs) which may accrue to the private investor.

A.E. Kahn

SOCIAL MARGINAL UTILITY (*Theory of value)

Marginal utility of the whole society. The marginal utility not of any particular individual but a sort of average of all individuals in the community.

K.K. Dewett

SOCIAL NEED (*Theory of value)

Need of society which embraces the needs of individuals and also those of various groups and enterprises.

Bettelheim

SOCIAL PRODUCT (*Economics of development)

The total of all commodities produced and marketed in a community within an economic period.

J.A. Schumpeter

SOCIAL SECURITY (*Economics of labour)

Minimum economic security. Minimum income for the family when its natural sources of income are cut off.

Frederic Benham

It is an attack on five giants namely Want, Disease, Ignorance, Squalor and Illness.

William Beveridge

Security of employment, security of income and security of power to work.

A French Authority

A device provided by society against a number of insecurities arising out of natural (e.g. death or sickness), social (e.g. slums), individual (e.g. incapacity) and economic (e.g. inadequate wages and unemployment) causes.

V.B. Singh

Provision by the state of assistance to people in sickness, unemployment and old age.

M.L. Seth

The pioneer of the concept of social security is William Beveridge of England.

Compiler

SOCIAL WEALTH (*Theory of value)

Community wealth like state railways, public parks etc.

Compiler

SOCIAL WELFARE (*Welfare economics)

An aggregate of the utilities or satisfactions of all the individuals in the society, which we may also call 'Social utility'.

S.F. Hasan

SOCIALISATION OF INVESTMENT (*Keynesian economics)

The practical counterpart or the operational meaning of the theoretical concept of Marginal Efficiency of Capital is referred to as the "socialisation of investment."

It includes a policy of investment control to offset cyclical fluctuations in private investment and to overcome the obstacles in the way of and the difficulties arising in connection with the secular decline in M.E.C.

Dudley Dillard

SOCIALISM (*Economics of development)

One in which the material instruments of production are owned by public authority or voluntary association and operated not with a view to profit by sale to other people but for the direct service of those whom the authority or association represents.

A.C. Pigou

The essential feature of socialisation is that industries and services with the instruments of production which they require, should not be owned by individuals and that industrial and social administration should not be organised for the purpose of obtaining profit.

Sydney and Beatrice Webb

Socialism is an economic organisation of society in which the material means of production are owned by the whole community according to a general economic plan, all members being entitled to benefit from the results of such socialised planned production on the basis of equal rights.

H.D. Dickinson

Socialism refers to the movement which aims at vesting in society as a whole rather than in individuals the ownership and management of all nature-made and man-made producers' goods used in large scale production to the end that an increased national income may be more equally distributed without materially destroying the individual's economic motivation or his freedom of occupational and consumption choices.

Loucks and Weldon Hoots

A programme of reform which repudiates private ownership of the means of production and competitive control of industry; it proposes a type of society in which productive capital will be owned collectively and economic activity will be controlled by authority.

Fairchild, Buck and Slesinger

That system of economic organisation in which there is collective ownership and democratic management of the basic industries and collective control of the distribution of income.

Raymond Bye

A system in which all the great industries and the land are publicly or collectively owned and that they are conducted for the public good instead of for private profit.

W. Morris

The fundamental character of socialism consists in its abolition of the class relations which form the basis of capitalist production through the expropriation of the propertied class and the socialization of land and capital.

Maurice Dobb

The essence of socialism is this : All the means of production are in the exclusive control of the organised community. This and this alone is socialism. All other definitions are misleading.

Ludwig Von Mises

SOCIALIST ECONOMY (*Economics of development)

A system that involves the abandonment of free choice to the individual, at any rate as a fundamental liberty consumption and production must fit into the central scheme.

R.L. Hall

SOCIALISTIC PATTERN OF SOCIETY (*Economics of development)

The idea originated in the Resolution on Economic Policy proposed at Avadi (India) in 1948. The seven basic principles underlying the socialistic pattern of society (not socialist state) are:

(1) The principle of full employment and the right to work.
(2) Maximum production of national wealth.
(3) Maximum national self sufficiency.
(4) Social and economic justice.
(5) Use of peaceful, non-violent and democratic methods.
(6) Decentralisation of economic and political power through the establishment of village panchayats and industrial co-operatives.
(7) Ideal of "unto this last."

A.B. Bhattacharya

In December 1954, India adopted "Socialist pattern of society" as broad objective of her economic policy. Under this the basic criteria for determining progress were to be social gain and greater equality of income and wealth.

Compiler

SOCIETY ORGANISED FOR PROFIT (*Economics of development)

Capitalism.

Frederic Benham

SOLE TRADER (*Industrial economics)

A person who carries on business of his own, that is without the assistance of a partner.

Davar

SOLOW, ROBERT M. (*History of economic thought)

A brilliant American contemporary economist.

Compiler

SOLVENCY OF A BANK (*Monetary economics)

A bank is solvent if the amount of its assets exceeds the amount of its liabilities to all claimants other than its shareholders.

A.L. Meyers

SOUND BANKING ASSET (*Monetary economics)

Bill of exchange.

R.S. Sayers

SOUND TAX SYSTEM (*Public finance)

If I were to define a good system of taxation, it should be that of bearing lightly on an infinite number of point heavily on none.

Arthur Young

SOVIET ECONOMIC PLAN (*Economics of planning)

The plans are not forecast plans, conjucture plans, but directive plans which are binding upon the managing organs and determine the direction of economic development in the future and on an all-union scale.

Stalin

SPECIAL ASSESSMENT (*Public finance)

Charge imposed by Government upto property benefitted by improvements (by the Government) like the construction of streets, sewers etc.

P.E. Taylor

A particular kind of fee, imposed when the special benefit consists in an enhancement of the value of land.

Fairchild

A compulsory contribution levied in proportion to the special benefit derived to defray the cost of the specific improvement to property undertaken in the public interest.

E.R.A. Seligman

SPECIAL DRAWING RIGHTS (SDRs) (*International economics)

This is a scheme for creating what is called "paper gold", the motivation being that the sum total of world reserves has not advanced in line with the growth of world trade, entailing the risk that there could be a trade recession because of insufficient funds (liquidity) to finance expansion.

Indian Express

In 1967 at the IMF meeting in Rio de Janeiro, SDRs were introduced with a view to revitalize the Fund. SDRs which have the characteristics of international money, are often referred to as 'paper gold'. The IMF created them by a stroke of pen, by creating a new account and a new unit of account. The fund decided that the first issue of the SDRs should amount to 9.3 million units. The unit of account was originally equal to the gold content of 0.088671 gram or 1/35 troy ounce gold i.e. the same value as one $ had in 1971.

On July 1, 1974, SDR was redefined as a 'basket' that consisted of 16 various currencies. In 1980 one SDR consisted of 0.4 U.S. dollar and commensurable fractions of the other 15 currencies.

SDR has the characteristic of a general international currency. It is not backed by gold or any other national currency. It is accepted and used by members as a means of payments between central banks in exchange for existing currencies. The original instruments of the SDR were distributed to member countries according to their quotas in the Fund. A country can use SDRs for various reasons : to repay old debts with the IMF, to acquire foreign exchange to cover deficits or to repurchase its own currency from other countries.

Bo Sodersten

With a view to solve the international liquidity problem the new scheme of special drawing rights (SDRs) was instituted on October 3, 1969 and the scheme came into force on 1st January 1970.

M.L. Seth

SDRs which supplement gold and convertible currencies are created annually and are apportioned to members according to their (of the countries) size, importance and requirements.

On November 9, 1981, the IMF approved the biggest-ever five billion SDR loan to India.

Compiler

SPECIAL THEORY (*Keynesian economics)

This is how Keynes calls Classical theory. The classical school assumes that there is a tendency for the economic system based on private property in the means of production to be self adjusting at full employment. This assumption was challenged by Keynes and proclaimed that the classical theory was a special theory applicable only to one of the limiting cases of his general theory.

Dudley Dillard

SPECIALISATION (*Industrial economics)

Division of labour.

Frederic Benham

It is also called division of labour because it divides the work of production into many parts that are assigned to different workers.

Raymond Bye

SPECIE (*Monetary economics)

Coin, usually full bodied gold or silver.

W.W. Haines

Metallic money.

Raymond Bye

SPECIFIC DUTY (*International economics)

An import duty in which a fixed sum of money is to be paid upon each unit of the commodity. It is the opposite of *ad valorem* duty.

Gottfried Von Haberler

Duty which is imposed according to a standard weight or measurement.

K.K. Dewett

Specific tax is a tax in which a definite sum must be paid to the state on each unit of the commodity sold, no matter what the price of the commodity.

K.E. Boulding

SPECIFIC EXPENDITURE INCIDENCE (*Public finance)

If public expenditure is increased or decreased in money terms, there would be an increase or a decrease in resource transfer to public use. These changes in income of the people to changes in public expenditure are referred to as specific expenditure incidence.

Andley and Sundharam

SPECIFIC FACTOR (*Theory of value)

Factor of production that can be used for only one purpose, such as machine for making newsprint.

Frederic Benham

SPECIFIC PRODUCTION MEANS (*Theory of value)

Land Production factors that are only important for one purpose.

Wieser

SPECIFIC TAX INCIDENCE (*Public finance)

Changes or modifications in tax policy may be due to change in one particular tax such as the reduction or raising of income tax rates. The resulting changes in distribution are called specific tax incidence.

Andley and Sundharam

SPECULATION (*Industrial economics)

Forecasting the price movements and buying or selling in expectation of profits.

A.K. Basu

Often the term implies the buying and selling of things by a person whose main business in life is different—'dabbling' in the market by "outsiders."

Often it implies buying and selling by persons who expect to make their living or their fortune by dealing in one commodity or in certain sects of commodities.

F.W. Taussig

A purchase or sale in the present, followed by a sale or purchase in the future, in the expectation of making a profit from a price change in the meantime.

Raymond Bye

Buying something cheap at one time and selling the same thing dear at another time. Speculation, therefore, may be defined as arbitrage through time; instead of buying in one place and selling in another, we now buy at one time and sell at another.

K.E. Boulding

In the context of foreign exchange, it means creation and maintenance of uncovered positions in foreign currencies for the sake of prospects of making a profit through a change in the exchange rate.

Paul Einzig

SPECULATIVE MOTIVE (*Theory of value)

The object of securing profit from knowing better than the market what the future will bring forth.

J.M. Keynes

The desire to hold cash in order to take advantage of an anticipated fall in prices whether of goods or securities.

W.W. Haines

One of the three motives of liquidity preference, the other two being precautionary and transaction motives.

Compiler

SPENDING THEORY (*Keynesian economics)

Keynes's theory.

Dudley Dillard

SPIETHOFFS' THEORY OF BUSINESS CYCLES (*Business cycles)

According to this theory the great output of fixed capital is the source of expansion and the over-production of this real capital is the real cause of crisis. Arthur Spiethoff holds that the crisis arises from disproportionality in the supply of goods.

J.A. Estey

It is a non-monetary over-investment theory.

Compiler

SPOILING THE MARKET (*Theory of value)

Reducing future demand by current sales.

G.J. Stigler

A reduction in price which either provokes retaliation or is shared equally by established customers (who are willing to pay a higher price).

OR

Reducing price which creating an expectation to a further fall, causes demand to fall off instead of stimulating it.

OR

Reducing prices which stimulate sales at the expenses of sales at a later date. Consumers or dealers may store their purchases and refrain from buying when prices go up again.

OR

Reduing prices which accumstom the public to cheapness in price or quality and create opposition to any subsequent attempt to raise prices.

A.K. Cairncross

SPONTANEOUS INVENTION (*Economics of development)

Chance happening.

G.M. Meier and R.E. Baldwin

SPORADIC DUMPING (*International economics)

Also known as occasional dumping, it occurs especially at the end of a selling season to get rid of "remainders" which are practically unsaleable on the home market.

Gottfried Van Haberler

SPOT EXCHANGE MARKETS (*Monetary economics)

They are the principal markets and are far larger than forward markets. They are those in which claims against money are brought and sold for immediate delivery.

L.V. Chandler

SPOT EXCHANGES (*International economics)

Foreign exchanges bought and sold for immediate delivery—in practice almost invariably for delivering two clear days after the conclusion of the deal—and payable on the day of the delivery.

Paul Einzig

SPOT TRANSACTION (*International economics)

A purchase or sale of a foreign currency for immediate delivery.

Rajnarain Mathur

STABLE EQUILIBRIUM (*Theory of value)

When demand and supply conditions are such that a displacement of equilibrium situation automatically causes a return to it, the equilibrium is said to be stable.

A.W. Stonier and D.C. Hague

A system is in stable equilibrium, if, when any disturbance takes place, forces come into play to reestablish the initial position.

A.C. Pigou

STABLE EQUILIBRIUM VALUE (*Theory of value)

An equilibrium value that, if changed by a small amount calls into action forces that will tend to reproduce the old value.

J.A. Schumpeter

STAGES-MAN (*Economics of development)

A nickname applied to Karl Marx by G.M. Meier and R.E. Baldwin.

Campiler

STAGES OF ECONOMIC GROWTH (*Economics of development)

According to Prof. W.W. Rostow, there are five stages of economic growth. There is first "*the traditional saciety*" in which an almost unchanging technology places a ceiling on the level of attainable output per head,

In such societies are grouped 'the whole pre-Newtonian world" and those "post Newtonian" societies in which modern science and technology are not made use of regularly and systematically.

(b) The second stage is one of *transition* in which the preconditions for subsequent growth are created.

(c) Then follows *the take-off*—a decisive breakthrough in the course of which compound interest gets built in the society's structure.

(d) The fourth stage—*the drive to maturity*—occupies a longer period continuing until more or less 60 years after the beginning to take off. This stage is defined as "the period when a society has effectively applied "the period when a society has effectively applied the range of (then) modern technology to the bulk of resources.

(e) Finally comes the stage of *mass consumption.*

A.K. Cairncross

STAGNANT ECONOMY (*Economics of development)

An economy which is showing no signs of progress.

W.J. Fellner

STAGNATION THEORY (*Economics of development)

According to the Keynesian theory of income, investment is the critical factor on which the attainment of full employment depends. Building on this theory, Alvin H. Hansen prominent expositor of Keynesian economics in the U.S.—asserts that a condition of savings in in excess of the opportunities for profitable investment is now so imminent in the U.S. that the U.S. economy is threatened with the prospect of chronic underemployment and stagnation unless America takes measures of public policy to deal with.

Raymond Bye

The central theme of the Keynesian theory of stagnation, as elaborated by Alvin Hansen between 1938 and 1941 is that the three factors of expansion (which influence the level of investment) viz., increase in population, introduction of technical innovations and geographical expansion of capaitalism have become progressively weaker in more recent times, while at the same time the industrialised economies have been showing increasing saving potential. There is thus a tendency towards an imbalance between investment opportunities and saving potential, as a result of which the economic system would tend, in the long run, to a situation of underemployment. The system would tend to move along a time-path which is below the one allowed by the increasing supply of labour and in this sense it would be 'stagnant'.

Claudio Napoleoni

STANDARD ASSETS OF A BANK (*Monetary economics)

They are overdrafts, loans, bills discounted, investments and cash.

R.S. Sayers

STANDARD COIN (*Monetary economics)

Coin which is the principal or ultimate means of payment within and without the country.

Raymond Mathur

STANDARD MONEY (*Monetary economics)

Money in which the central authority is in fact making its final payments.

OR

Money in which even the monetary authority is entitled to make a final and ultimate discharge of its obligation, including the obligations to convert convertible money.

D.H. Robertson

Money having intrinsic value equal to its face value.

Fairchild, Buck and Slesinger

Money which constitutes the ultimate monetary unit that holders of other kinds of money can claim in exchange.

Raymond Bye

STANDARD OF DEFERRED PAYMENTS (*Monetary economics)

A function of money. It implies that money acts as a standard for future payments of money.

Compiler

STANDARD OF LIVING (*Economics of development)

The standard of living of any man is the extent to which he is able to provide himself and his family with the things that are necessary for sustaining and enjoying life.

The International Labour Organisation

The phrase covers all the things—the man in the street and his wife want a better and more varied diet, better clothes, and more of them, better housing, a better education for their children, more opportunities to travel and to enjoy themselves in general, more of the necessities, comforts, amenities and pleasures of life.

Frederic Benham

An established customary mode of consumption.

M.C. Vaish and K.P.M. Sundharam

STANDBY EQUIPMENT (*Industrial economics)

A less efficient machine which is placed in use only in emergencies when no other equipment is at hand and there is no time to procure more

efficient machinery or when the demand for the particular output is not expected to continue long enough to justify the procurement of new equipment.

Dudley Dillard

STATE (*General economics)

A collection of bald headed men sitting in Government offices.

A.K. Cairncross

STATE BANK (*Monetary economics)

A bank in the U.S.A. registered under the law of the state in which it is situated.

R.S. Sayers

The biggest institution of its type in the U.S.S.R. with more than 4000 branches. It is the agency for short-term financing of the national economy.

A.K. Basu

STATE BANK OF INDIA (*Monetary economics)

India's largest and the world's 89th largest (1981) commercial bank. *Inter alia* it specialises in rural development by way of financing agriculture and small scale industries.

The Imperial Bank of India, the largest commercial bank was created in 1921 through amalgamation of three presidency banks of Bombay, Madras and Calcutta. The All-India Rural Credit Survey Committee of 1952 recommended the establishment of the State Bank of India by amalgamating some state associated banks with the Imperial Bank. Accordingly the State Bank of India Act was passed and the S.B.I. was constitituted on July 1, 1955 with its headquarters at Bombay.

The management of the S.B.I vests in the Central Board headed by the Chairman.

The S.B.I. was required in the preamble to the 1955 SBI Act to open atleast 400 branches by 30th June 1960. It fulfilled the branch expansion programme on June 1, 1960. At the beginning of 1980 the SBI had 5158 offices in India, of which 76 per cent were in rural and semi-urban areas. In September 1982 it had 41 operations in 25 countries.

The SBI and its eight subsidiaries constitute the largest commercial banking network of its kind with more than 6000 branches and about two lakh employees in the world.

Compiler

STATE BANK OF PAKISTAN (*Monetary economics)

The central bank of Pakistan. Constituted under the State Bank of Pakistan Order 1948, it started its operations on 1st July, 1948. The Reserve Bank of India rendered central banking services to Pakistan from 15th August 1947 to 30 June, 1948.

Compiler

STATE FARMING (*Agricultural economics)

A type of farming under which farms are owned and managed by the state and land is cultivated by the paid servants.

Compiler

STATE MONEY (*Monetary economics)

Money issued by the state.

Compiler

STATE OF BEARISHNESS (*Industrial economics)

It corresponds to liquidity preference due to speculative motive.

J.M. Keynes

STATE PLANNING COMMISSION OF CHINA (*Economics of planning)

The main body which carries on the Chinese economic administration.

Compiler

STATE SOCIALISM (*Economics of development)

The socialism professed by the authorities of the Prussian and other German states.

Ludwig Von Mises

STATE THEORY OF MONEY (*Monetary economics)

It may be stated thus: "The soul of currency is not in the material of the prices, but in the legal ordinances which regulate their use."

G.F. Knapp

It says that the value of money lies exclusively in the laws that create and govern it.

W.W. Haines

STATE TRADING (*International economics)

It is difficult to define it precisely; it can take many forms. It can take the form of a Government agency or monopoly operating more or less according to the same principles as a private firm or it can be a ministry or an organization that completely controls the country's international trade.

Bo Sodersten

STATE TRADING CORPORATION (STC) (*Commerce)

The State Trading Corporation of India Ltd., was registered in May 1956 under the Indian Companies Act. It is not a statutory Corporation. The central aim of the Corporation is to broaden and enlarge the scope of India's exports and to arrange for essential imports. Its activities are

directed towards diversification of exports, expanding existing markets, development and promotion of exports of certain bulk commodities on a long-term basis and handling canalised imports of bulk commodities. It also often undertakes price support and buffer stock operations in certain commodities on Central Government directions. The Corporation works in close association with the trade and industry.

India

The STC, an entirely state owned organisation, is today the biggest state trading agency in India with five subsidiaries, namely, Handicrafts and Handloom Export Corporation of India Ltd., the Cashew Corporation of India Ltd., the Projects and Equipment Corporation of India Ltd., State Chemicals and Pharmaceuticals Corporation Ltd., and the Central Cottage Industries Export Corporation Ltd.

During 1979-80, the STC handled 25 per cent of the nation's total exports.

Alak Ghosh

STATE UNDERTAKINGS (*Industrial economics)

The term includes industries started by the State, nationalised industries and state trading.

A.B. Bhattacharya

STATIC ANALYSIS (*Economic methodology)

A method of dealing with economic phenomena that tries to establish relations between elements of the economic system—prices and quantities of commodities all of which have the same time subscript, that is to say refer to the same point of time.

Ragnar Frisch

Economic statics. It has been the traditional method of approach of the economic theorist. It is variously known as the method of "decreasing abstraction", "successive approximation" or "the isolating one-at-a time procedure". In recent years it is described as "optimistic approach."

M.L. Seth

STATIC ECONOMICS (*Economic methodology)

An economic theory based upon the assumption of a stationary state.

Jan Tinbergen

STATIC ECONOMY IN PROGRESS (*Economic history)

An epithet used by Dr. V.K.R.V. Rao to describe Indian economy.

Compiler

STATIC EQUILIBRIUM (*Theory of value)

An equilibrium which maintains itself beyond the period of time under study.

OR

A position which is based upon the assumption of absence of change in economic phenomena of which it is the result.

M.C. Vaish and K.P.M. Sundharam

STATIC PLANNING (*Economics of planning)

As opposed to dynamic planning, it is perfectly rigid plan under which whatsoever unforseen events take place, no change is affected.

Compiler

STATIC STATE (*Economic methodology)

Stationary or unchanging or frictionless world.

Raymond Bye

STATIONARY STATE (*Economic methodology)

An economy in which the tastes, resources and technology do not change through time.

G.J. Stigler

Not a state of idleness but one where work proceeds smoothly at a steady pace, day in and day out, and year after year in the economy. A state of 'rest' in which the various quantities used remain constant.

M.C. Vaish and K.P.M. Sundharam

By a stationary state, as the term implies, we mean not a method or mental attitude of the analyst, but a certain state of the object of analysis, namely an economic process that goes on at even rates or more precisely, an economic process that merely reproduces itself.

J.A. Schumpeter

An economic system in which the factors which control production and consumption, distribution and exchange are constant, or assumed to be constant.

Macfie

STATISTICAL METHOD (*Economic methodology)

A combination of inductive and deductive methods, by which truth is sought.

L.H. Haney

STATISTICS (*Economic methodology)

Aggregate of facts, affected to a marked extent by a multiplicity of causes, numerically expressed, enumerated or estimated according to reasonable standards of accuracy, collected in a systematic manner for a pre-determined purpose and placed in relation to each other.

H. Secrist

Statistics are the classified facts respecting the conditions of the people in a state. . . .specially those facts which can be stated in numbers or in tables of numbers or in any tabular or classified arrangement.

Webster

(The above two definitions use the term statistics in its plural form in the sense of numerical data—Compiler.)

The science of counting or the science of 'averages or the science of measurement of the social organism regarded as a whole in all its manifestations.

A.L. Bowley

The science of estimates and probabilities.

Boddington

The science that deals with the collection, classification and tabulation of numerical facts as the basis for explanation, description and comparison of phenomena.

Lovitt

(The above definitions employ the term in its singular form in the sense of a science.—Compiler)

Statistics (used in the sense of data) are numerical statements of facts capable of analysis and interpretation and the science of statistics is a study of the principles and methods used in the collection, presentation, analysis and interpretation of numerical data in any sphere of enquiry.

D.N. Elhance

A systematic collection of official statistics originated in Germany towards the end of the 18th century. In its earliest form, it was an attempt to assess, for political purposes, the relative strengths of the German States, by comparing such things as population, industrial and agricultural output.

Originally the term was applied only to such data as the state required for its political purposes. Now it embraces any set of quantitative data relating to a particular measurement, whether the data is of interest to the state or not.

B.C. Brookes and W.F.L. Dick

The theoretical development of statistics as a science is based on the work of many famous mathematicians notably Pascal (1623-62), James Bernouilli (1654-1705), De Moivre (1667-1754), Laplace (1749-1827) and Gauss (1777-1855). In more recent times statistics has continued to develop largely through the work of British Statisticians among whom Francis Galton, Karl Pearson, R.A. Fisher and G.V. Yule are perhaps the best known.

B.C. Brookes and W.F.L. Dick

STERILE CLASS (*History of economic thought)

In physiocratic parlance, it signifies those who draw their incomes second hand.

C. Gide and C. Rist

STERLING (*Monetary economics)

English money.

R.S. Sayers

STERLING AREA (*International economics)

It is a collection of countries associated not by any formal arrangements nor as the result of any conscious design. It comprises all those countries between which payments are freely made in sterling and which therefore look to London as their banker.

R.S. Sayers

A regional monetary device. This is an informal arrangement whose very origin is impossible to pinpoint, though it assumed special significance when Great Britain abandoned the gold standard in 1931. It represents an attempt of those nations most closely dependent on the pound sterling to achieve some order out of the chaos created by the gold standard's collapse. The members of the sterling block consisted primarily of the British Commonwealth (except Canada) plus several small nations. In the early days the primary hallmark of the Sterling block was that the members pegged their currencies to the British pound and maintained a sizeable part of their reserves on deposit in London.

W.W. Haines

STERLING EXCHANGE STANDARD (*Monetary economics)

A monetary system under which the value of (satellite) currency is pegged to or linked with pound sterling (planet currency).

Compiler

STEURT, JAMES (1712-80) (*History of economic thought)

The last and the chief English Mercantilist. His *An Inquiry into the Principles of Political Economy* (1767) is considered to be the first book to employ the term "political economy" in English language.

Compiler

STIGLER, GEORGE J. (b. 1912) (*History of economic thought)

An outstanding contemporary American economist.

Dr. George Stigler, Professor of Economics at the Business Graduate School of the University of Chicago, was awarded by the Royal Swedish Academy of Sciences on October 20, 1982, $ 150,000 worth Nobel prize for economic science for the year 1982 for "his seminal studies of industrial structures, functioning of markets and causes and effects of public regulation." The Academy in the announcement said that Professor Stigler's research had led to a "fundamental testing of the forces, purposes and effects of different aspects of legislation" on the economy, and his work had contributed to "explaining inflation and unemployment"; through "long and extensive research efforts with strong empirical orientation"; Professor Stigler had made "fundamental contributions to the study of market processes and the analysis of the structure of industries."

Born in 1912 in Renton, Washington, Prof. Stigler graduated from the University of Chicago in 1938 and since 1958 has been professor at Chicago. Before that he was professor at Brown University during 1946-47 and at Columbia University from 1947 to 1958.

G.J. Stigler a versatile economist has written extensively on industrial organization, public policy, economic theory and history of economics. His achievements establish him as a leader in applied research on markets and industrial structure—a field often known as industrial organisation. Through particular features of his research, Professor Stigler is recognised as the founder of "economics of information", and "economics and regulation". He is also one of the pioneers of research in the intersection of economics and law.

Stigler's published works include:

(1) *The Theory of Price* (1966),
(2) *Capital and Rates of Return in Manufacturing Industries*,
(3) *The Intellectual and the Market Place*,
(4) *Essays in the History of Economics* (1965),
(5) *Lectures on Economic Problems* (1949),
(6) *Production and Distribution Theories*,
(7) *Readings in Price Theory* (edited along with K.E. (Boulding).

Besides the above, he has written numerous articles and papers for the *Journal of Political Economy, the American Economic Review* etc.

According to Stigler, the theory of value is the central core of economic theory. He holds that the function of the economists is to technicalise common sense. He says, "The goal of the economist is not merely to train a new generation in his arcane mystery; it is to understand this economic world in which we live and the other ones which a million

reformers of every description are imploring and haranguing us to adopt." Stigler remarks, "Economic theories are infinitely diverse in their power. Entirely too many have zero predictive power—they are statements of tautologies. Thus, the statement that to maximize profits, one should operate a firm where marginal revenue equals marginal cost, is a mere mathematical theorem. Some theories have negative power."

Stigler defines capital as consisting of all economic goods except people and perishables.

Compiler

STOCK (*Industrial economics)

As distinguished from *flow*, stock is a magnitude definable for point of time. Capital is stock.

W.J. Fellner

The total volume of a commodity which can be brought into the market for sale and a short notice.

K.K. Dewett

Security.

Dudley Dillard

A registered security which is transferable by a transfer deed without any stamp duty.

A.K. Basu

Stock or capital quantity is any quantity which is measured without reference to a period or length of time, but only with reference to a date or instant of time.

K.E. Boulding

STOCK-BROKER (*Industrial economics)

A person who does not himself buy or sell stocks and shares. He puts his customers in touch with those who do.

G. Crowther

STOCK EXCHANGE (*Industrial economics)

It is sometimes spoken of as a 'market of capital'. That is not. A stock exchange is a market for the shares of the companies that exist. It facilitates the transference, not of capital from one industry to another, but of shares of existing business from one owner to another.

Clay

The market for existing securities. It has often been described as a mere gambling institution. The men who specialise in transactions in shares and stocks are called stock brokers and stock jobbers.

Briggs and Jordan

A place where dealings in stocks and shares of business corporations take place. A market where those desiring to buy stocks and shares are brought into contact with those who want to sell.

J.L. Hanson

Any body of individuals whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

Securities Contracts (Regulations) Act, 1956

STOCK SAVINGS BANKS (*Monetary economics)

These banks raise capital by issuing shares and pay dividends to both stock-holders and depositors. The depositors are paid a stipulated rate of interest and the profits beyond this are distributed amongst the stock-holders as dividend.

A.K. Basu

STOCKERS (*Agricultural economics)

The beef cattle that are likely to need a longer period of preparation for processing.

G.W. Forster and M.C. Leager

STOCKHOLM SCHOOL OF ECONOMICS (*History of economic thought)

Swedish school of economic thought, the prominent members of which include such luminaries as Knut Wicksell, Gustav Cassel, Lindahl, Heckscher, Bertil Ohlin, and Gunner Myrdal.

Compiler

STORAGE CANAL (*Agricultural economics)

The irrigational canal in which rain water is stored up during the monsoons in huge reservoirs by constructing dams across the mountain valleys. This water is then used to irrigate the surrounding areas in the dry part of the year.

A.B. Das and M.N. Chatterji

STORE OF VALUE (*Monetary economics)

A function of money.

Compiler

STORING (*Agricultural economics)

The keeping of goods or products over a period of time, usually in a warehouse, a cold storage, plant or other special facility, depending upon the nature of the product.

G.W. Forster and M.C. Leager

STREAM OF MONEY (*Monetary economics)

Flow of purchasing power. That is the demand for goods in terms of money per unit of time.

Gottfried Von Haberler

STRIKE (*Economics of labour)

A cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal or a refusal under common understanding of any number of persons who are or have been so employed to continue to work or to accept employment.

Industrial Disputes Act (India), 1947

A means of obtaining far higher wages than would be obtained under free competition.

Briggs and Jordan

A concerted withholding of labour supply from the employer.

R.A Lester

A collective quitting of work by labourers who do not want to surrender the job permanently.

Fairchild, Buck and Slesinger

STRUCTURAL PLANNING (*Economics of planning)

When the objective of planning is that of changing the structure of society, it may be called structural planning. Planning in an underdeveloped economy is mostly structural.

B.C. Tandon

It presupposes the construction of the new—new ideas, new techniques, new living standards, new social economy and so on.

A.B. Bhattacharya

STRUCTURAL UNEMPLOYMENT (*Economics of labour)

A characteristic of underdeveloped countries. It arises from the insufficiency of capital equipment even when fully utilized and even if effective demand is sufficient.

K. Kurihara

Unemployment due to a change in demand.

J.L. Hanson

STRUCTURE OF PRODUCTION (*Business cycles)

A concept introduced by F.A. Hayek in the theory of business cycles.

At any given time, the resources of the community devoted to production are arranged in a number of "stages". Some of these stages are remote from the consumers and may be called "higher" stages of production. In these stages raw materials are being produced, equipment manufactured, buildings constructed. In short here is that our supply of

capital goods or producers' goods is being turned out. Other stages are nearer to the consumer and may be called the "lower" stages of production. There are being produced the consumer goods that are the final object of all the previous preparation. There may be many stages of production from the nearest to the most remote. Together they constitute what Hayek calls the "structure of production."

J.A. Estey

SUB-CONTRACTING (*Economics of labour)

A system in which the capitalist would give out work at a certain price to a small man or gangmaster or sub-contractor who then in turn employed workmen on the job. The sub-contractor would secure his profits by getting the work done at less than the price at which he had contracted with his employer.

Maurice Dobb

SUB-DIVISION OF HOLDING (*Agricultural economics)

A situation wherein the unit of cultivation (i.e. the size of holding) is very small.

A.B. Das and M.N. Chatterji

SUB-MARGINAL LAND (*Agricultural economics)

Land for which there is no remunerative use of any kind.

A.K. Cairncross

SUBPARTNER (*Industrial economics)

An outsider who is given a share in the profits of the partnership by one of the partners without being admitted as a partner.

Davar

SUBSIDIARY MONEY (*Monetary economics)

Modern fractional coins. They are so called because they are deliberately given face value in excess of the market value of the metal they contain.

R.P. Kent

Money which is certified for debts up to a limited small amount.

D.H. Robertson

SUBSIDY (*Theory of value/Public finance)

A proportion of wages paid to the additional workers.

Frederic Benham

Bounty. It is the direct opposite of a tax. A subsidy, of course, is merely a negative tax. That is to say, instead of taking something away from the price paid by the consumer, the government adds something to

that price. The net price which the producer receives will exceed the price which the consumer pays by an amount equal to the subsidy. The result of this will be that producers will supply a larger quantity at each consumer's price than before; i.e. the supply will have risen.

K.E. Boulding

SUBSISTENCE THEORY OF WAGES (*Theory of value)

The earliest theory. Advocated by the Physiocrats, it stated simply that the price of labour depended on the subsistence of labour. Wages equalled the amount of commodities necessary to feed and clothe a worker and his family, which represented the cost to society of enabling the labourers to subsist and to perpetuate their race. It is also called Iron Law or Brazen Law of Wages by Lassalle a German socialist.

Maurice Dobb

Quesnay, a physiocrat, first put forward this theory. According to this theory, wages tend to keep to a level that will provide the workers with only a bare subsistence.

J.L. Hanson

It states that wages tend to equal the subsistence cost of an average worker and his family.

D.H. Robertson

SUBSISTENCE TYPE OF ECONOMY (*Economics of development)

It denotes an economy in which different economic activities are not clearly differentiated, there is little division of labour, the extent of market is narrow, the amount of capital investment is small, and each household meets most of its needs by its own production.

G.M. Meier and R.E. Baldwin

SUBSTITUTE (*Theory of value)

Similar good serving the same purpose.

Frederic Benham

Competitive good satisfying more or less the same want.

Compiler

SUBSTITUTION (*Theory of value)

The extent to which consumers shift among products when their relative prices change.

G.J. Stigler

SUBSTITUTION EFFECT (*Theory of value)

It is possible that prices may change and consumer's money income may also change in such a way that he is neither better off nor worse off

as a result. He will, however, find it worth his while to buy more of those goods whose relative prices have fallen. He will substitute the relatively cheaper goods for the relatively dearer ones. This result of this type of change is known as substitution effect.

A.W. Stonier and D.C. Hague

If prices change and income changes in such a way that combined with the changes in prices the consumer is neither better off nor worse off, then it is called substitution effect.

K.K. Dewett

SUMPTUARY EXCISES (*Public finance)

Those excise duties which are levied to discourage the excessive consumption of harmful goods such as tobacco and liquor.

Compiler

SUMPTUARY LAW (*Public finance)

Law on consumer goods and services.

Compiler

SUNK CAPITAL (*Industrial economics)

Capital which has became specific or specialised. It is not capable of being put to alternative uses.

K.K. Dewett

SUNSPOT THEORY OF TRADE CYCLES (*Business cycles)

Developed by William Stanley Jevons, an English economist (1835-83), the theory which is the most celebrated and influential among the meteorological theories, states that business cycles are caused by sunspots which "was and wane in cycles of similar duration." These sunspots influence the weather, the weather influences the crops and the crops in turn cause rythmic fluctuations in industry.

Compiler

SUPER MULTIPLIER (*Business cycles)

The combined effect of autonomous and induced investment is expressed in what Hansen calls the "Supermultiplier".

J.A. Estey

SUPER TAX (*Public finance)

Income tax levied at specially high rates in addition to ordinary rates on incomes above a certain large amount.

A.B. Das and M.N. Chatterji

SUPPLEMENTARY COST (*Theory of value)

The extra depreciation and obsolescence.

Dudley Dillard

Fixed or overhead costs. These are the costs which in short run remain the same in total whatever output is.

A.W. Stonier and D.C. Hague

SUPPLY (*Theory of value)

In ordinary language it may mean the total stock in existence or the normal output per unit of time. But in Economics it means the amount offered for sale per unit of time. It refers not to the amount produced but supplied i.e. offered for sale.

Frederic Benham

The schedule of the amount of a good that would be offered for sale at all possible prices at any one instant of time or during any one period of time (for example, a day, a week, and so on, in which the conditions of supply remain the same).

Albert L. Meyers

The desire for general purchasing power, seeking its end by an offer of specific commodities or services.

Cairncross

Most economists use the term to mean a schedule of the quantities of a commodity offered for sale at various prices in a given market at a given time.

Anatol Murad

SUPPLY CREATES ITS OWN DEMAND (*Theory of value)

The maxim means that any increase in employment will lead to an additional amount of proceeds sufficient to induce entrepreneurs to offer the increased employment.

Dudley Dillard

A famous law propounded by French economist, J.B. Say. According to it, general over-production and employment are impossible. Say wrote: "It is production which creates markets for goods." Every output brought into existence injects an equivalent amount of purchasing power in circulation which ultimately leads to its sale—so that there is no surplus output or over-production.

M.L. Seth

A dictum according to which the very act of producing goods generates an amount of income exactly equal to the value of goods produced that is the production of any output would automatically provide the wherewithal to take that output off the market. Supply creates its own demand. Output gives rise to an identical amount of money income.

McConnel

SUPPLY CURVE (*Theory of value)

It represents the amounts of output of a commodity, during a given period of time, which will be associated with different prices.

Joan Robinson

SUPPLY OF LAND (*Theory of value)

The term means productivity of land and not the acrage of land.

Frederic Benham

SUPPLY OF LABOUR (*Theory of value)

The number of workers or the number of man-hours of service rendered or (where payment is made by results) the actual amount of work performed.

Frederic Benham

The schedule of amounts of work (units of labour) that workers are willing to offer for sale at each possible price.

A.L. Meyers

The number of workers seeking employment.

OR

The number of hours, which each worker is willing to work.

Maurice Dobb

The total number of people. Men, women and children of working age.

J.L. Hanson

SUPPLY OF MONEY (*Monetary economics)

It consists of bank deposits, paper money and metallic coins.

Dudley Dillard

Supply of money to hold. The existing stock of money all of which is held by someone. In other words the supply of money at any moment is the sum of all the money holdings of all the members of the community.

A.W. Stonier and D.C. Hague

Stock of things generally accepted as a medium of exchange.

L.V. Chandler

The total amount in existence of money coins, bank notes and bank deposits, at any moment.

G. Crowther

The sum total of common money and deposit money in the hands of the community.

G. Halm

SUPPLY OF SAVINGS (*Monetary economics)

A schedule or curve showing the various amounts of saving that would occur in the nation at the various possible levels of GNP or Y. This is sometimes called a "saving function" showing saving as a function of Y.

L.V. Chandler

SUPPLY PRICE (*Theory of value)

It is sometimes called replacement cost. It is the price which would just induce a manufacturer newly to produce an additional unit of capital asset.

J.M. Keynes

The price required to call forth the exertion necessary for producing any given amount of a commodity may be called the supply price for that amount during a year or any other given time.

Alfred Marshall

The price at which a given quantity would be supplied (or produced) is called the supply price of that quantity.

OR

The least price which a quantity would have to fetch in order for the production of that quantity to continue indefinitely.

K.E. Boulding

SUPPLY SCHEDULE (*Theory of value)

It refers to the relation between market prices and the amounts that the producers are willing to produce and sell.

P.A. Samuelson

A series of quantities of a good that will be offered by sellers at each of a corresponding series of prices.

Raymond Bye

SUPPLY-SIDE ECONOMICS (*Economics)

A new macro frame has been receiving policy attention in recent years. This is known as 'supply-side economics' in contrast to the 'demand-side economics' of Robertson, Keynes, Harrod, J. Robinson, Samuelson, Tobin etc.

P.R. Brahmananda

SURPLUS (*Marxian economics)

The excess of net product over wages.

Karl Marx

Net worth of a business in excess of the amount originally contributed by stock-holders.

W.W. Haines

SURPLUS BUDGET (*Public finance)

If revenue receipts for the budget period are greater than cost payments, the difference is budget surplus.

P.H. Taylor

SURPLUS REVENUE (*Theory of value)

Net profit or profit above normal.

J.L. Hanson

SWAP (*International economics)

Purchases of spot exchanges, against sale of forward exchange or sale of spot exchanges against purchase of forward exchanges. In a broader sense, also purchase or sale of short forward exchange against long forward exchanges.

Paul Einzig

SWEATED LABOUR (*Economics of labour)

Workers who are paid unduly low wages.

Frederic Benham

SWEATED TRADE (*Economics of labour)

A sweated trade is characterised by inadequate wages, inordinately long hours of work, and insanitary conditions of labour.

Select Committee of the House of Lords

SYMETALLISM (*Monetary economics)

A system in which more than two metals operate as legal tender.

Briggs and Jordan

It was suggested by Marshall in 1887. Under which gold and silver would be fused in specified proportions in a coin or bar.

M.C. Vaish

SYMPATHETIC STRIKE (*Economics of labour)

Strike called by one group of workers for the sole purpose of aiding another group in a different business concern.

Fairchild, Buck and Slesinger

SYNTHESIS (*Marxian economics)

Temporary adjustment between thesis and anti-thesis.

W.J. Fellner

SYSTEM OF PRIVATE PROPERTY (*Economics of development)

Capitalism.

Frederic Benham

SYSTEM OF QUOTAS (*International economics)

The system in which a given quantity of a good is permitted to enter duty free or upon payment of a relatively low duty, imports in excess of that quantity being charged a relatively high rate of duty.

Gottfried Von Haberler

TABLEAU ECONOMIQUE (*Theory of value)

Turgot's graphic representation of the way in which circulation of wealth takes place.

C. Gide and C. Rist

TABULAR STANDARD (*Monetary economics)

A monetary standard in which the standard is not the price of a single commodity, but it is based upon the price of a representative list of commodities.

In its crude form this standard was adopted in Massachusetts twice in the 18th century. Elaborated by Lowe in 1882 and by G. Poulet Scrope in 1833, it was strongly urged by Jevons. Marshall also made proposal for this standard for use in the case of long-period contracts in 1855.

M.C. Vaish

TAKE OFF (*Economics of development)

The period when bold plans have to be initiated for lifting up the economy from a semi-stagnant condition.

OR

The stage of economic development which would require a rise in the rate of productive investment from a low level to about 12 per cent per annum of national income and build up a substantial industrial sector.

The concept was introduced by Prof. W.W. Rostow.

Alak Ghosh

Take off is the interval when the old blocks and resistences to steady growth are finally overcome. The forces making for economic progress,

which (in the past) yielded bursts and enclaves of modern activity, expand and come to dominate the society. Growth becomes its normal conditions.

W.W. Rostow

"A stage of self reliant and self generating economy—that is an economy which can sustain itself essentially on the basis of internal resources without having to depend on foreign aid in the matter of machinery, know-how and other essential requirements of economic development."

Quoted

The interval during which the rate of investment increases in such a way that real output per capita rises and this initial increase carries with it radical changes in production techniques and the disposition of income flows which perpetuate the new scale of investment and perpetuate thereby the rising trend in per capita output.

W.W. Rostow

TANGENT (*Mathematical economics)

A line that touches a curve at only one point.

Compiler

TARGET ECONOMY (*Economics of planning)

An economy aimed at achievement of certain definite targets in national investments.

F. Zweig

TARIFF (*International economics)

A tax on imports.

Compiler

Duty levied upon the imported goods. If the object of the duty is to raise revenue for the state, it is called a revenue duty, and if it is to protect the indigenous industry, it is called protective duty.

W. Fellner

TARIFF LAW (*International economics)

The law which fixes rates of duty which may frequently be altered.

Gottfried Von Haberler

TARIFF SCHEDULE (*International economics)

A list of all the existing import duties.

Gottfried Von Haberler

TASK BONUS SYSTEM (*Economics of labour)

A type of bonus systems. In these piece rates are paid, but in addition a bonus is payable if the task is completed within a certain standard time.

J.L. Hanson

It gives a substantial bonus to the workers to attain a certain task or standard of efficiency, the bonus being added to the ordinary piece wage.

Maurice Dobb

TASTES (*Theory of value)

All factors affecting the consumer other than prices and income. Tastes thus embrace all non-monetary determinants of consumption: occupation, age, family composition, community size, race and nationality etc.

G.J. Stigler

TATA-BIRLA PLAN (*Economics of planning)

Bombay plan.

See "Bombay plan".

Compiler

TAUSSIG, FRANK WILLIAM (1859-1940) (*History of economic thought)

An eminent American (Harvard) economist. Called American Marshall by J.A. Schumpeter, Taussig considered David Ricardo as the greatest of all economists. He graduated from Harvard University in 1879 and in 1883 was awarded Ph.D. degree for his 1882 prize essay—*Protection to Young Industries as Applied in the United States.* He was appointed an assistant professor of political economy in 1886 and was promoted as professor in 1892. He received D. Litt. from Brown University (1914), Harvard University (1916), and Cambridge University (1933) and several honorary degrees including LL.D. from North Western University in 1920 and the Michigan University in 1927, and Ph.D. from Bonn University in 1933.

Taussig served as a member on the Price Fixing Committee of the War Industries Board and Sugar Equalisation Board. He was the first chairman of the Tariff Commission and editor of the *Quarterly Journal of Economics* from 1896 to 1935. His publications include:

(1) *Protection to Young Industries as Applied in the United States* (1883),
(2) *History of the Present Tariff* (1885),
(3) *The Tariff History of the United States* (1888),

(4) *The Silver Situation in the United States* (1891),
(5) *Wages and Capital* (1896),
(6) *Principles of Economics* (2 volumes) (1911),
(7) *Some Aspects of the Tariff Question* (1915),
(8) *Free Trade, the Tariff and Reciprocity* (1920),
(9) *International Trade* (1927).

To Taussig rent arose "because of the comparatively high price which must be paid to bring out the total supply." He supported Malthusian theory of population. He remarked, "A limitation of numbers is not a cause of high wages, but it is a condition of maintenance of high wages." In his famous *International Trade*, he gave the latest and most detailed exposition of comparative costs theory of international trade by interpreting it in terms of money cost (instead of comparative labour costs).

Compiler

TAX (*Public finance)

A compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax-payer in return and not imposed as a penalty for any legal offence.

Hugh Dalton

A class of public revenue. A compulsory payment to Government without expectation of direct return in benefit to the tax-payer.

P.E. Taylor

A compulsory payment by a person to the Government, destined to defray the cost of government services performed for the common benefit and paid without reference to individual benefit.

Fairchild, Buck and Slesinger

Taxes are general compulsory contributions of wealth levied upon persons, natural or corporate to defray the expenses incurred in conferring common benefit upon the residents of the state.

Plehn

TAX AND LOAN ACCOUNTS (*Monetary economics)

Demand deposit accounts of the U.S. Treasury held in commercial banks.

W.W. Haines

TAX RATE LIMITATION (*Public finance)

A scheme for limiting expenditures by limiting revenues by limiting tax rates.

P.E. Taylor

TAXABLE CAPACITY (*Public finance)

Taxable capacity of different sections of the community may be said to refer to the degree of taxation, broadly speaking, beyond which productive effort and efficiency as a whole begin to suffer.

Indian Taxation Enquiry Commission

Taxable capacity is the total production minus the amount required to maintain the population at subsistence level.

OR

It is the minimum amount which the citizens can contribute towards the public authorities without having a really unhappy and down-trodden existence and without dislocating the economic organisation too much.

Sir Josiah Stamp

It is the limit of squeezability. It is the total surplus of production over the minimum consumption required to produce that level of production, the standard of living remaining unchanged.

F. Shirras

TAYLOR SYSTEM OF DIFFERENTIAL PIECE WORK (*Economics of labour)

This system is in contrast to premium bonus system and makes the piece rate, at which work is paid, actually rise as the worker's speed of the work increases.

Maurice Dobb

TECHNIQUE (*Economics of development)

Method of production. It may be either capital-intensive or labour-intensive.

Compiler

TECHNOLOGICAL PROGRESS (*Economics of development)

Quite frequently it refers to the construction of more and better instruments of production and to the utilization for this purpose, of a great share of the existing store of technical knowledge. The other sense of the term is that in which technically knowledge increases without any change in the form of quantity of capital goods.

Ragnar Nurkse

TELEGRAPHIC TRANSFERS (*International economics)

Foreign exchange transactions executed by instructions sent by cable.

Paul Einzig

TENANCY (*Agricultural economics)

A condition in which the rights and privileges to the use of land are divided between the owner and a second party called the "tenant".

G.W. Forster and M.L. Leager

TECHNOLOGICAL UNEMPLOYMENT (*Economics of labour)

The permanent displacement of a person by a machine, a new work process or any other factor which increases productivity and eliminates a job.

Sam Rosen

Technical progress continuously brings into being new processes, new concerns, and new industries, thereby undermining the capacity to compete of the older workers and throwing workers out of their jobs. This is sometimes called technological unemployment. This is a temporary unemployment.

Gottfried Von Haberler

Unemployment due to technical progress.

Frederic Benham

TENNESSEE VALLEY AUTHORITY (T.V.A.) (*Agricultural economics)

Established in 1933 in the U.S.A., it started as a river development project with flood control, promotion of navigation and production of hydro-electric power as its primary objectives. In April 1933 President Roosevelt spelt out its objectives as "the proper use, conservation and development of the natural resources of Tennessee river drainage basin and its adjoining territory for the general social and economic welfare of the nation." It is an independent Federal Corporation.

Compiler

TERM LOAN (*Monetary economics)

A loan made by a commercial bank for a period of a year or more.

W.W. Haines

Fixed loans for a definite term of years, rarely extending beyond ten. These loans have grown notably in the U.S.

A.K. Cairncross

In the U.S.A. loans are granted by banks for a period of years—3, 5 or even 10 years with specific provision for its reduction by regular periodical payments.

R.S. Sayers

TERMS OF TRADE (*International economics)

Price ratios between two commodities in which the two countries are trading.

OR

The relation between two sets of world prices : the prices of the kinds of goods she exports and the prices of the kinds of goods she imports.

Frederic Benham

The ratio of export prices to import prices.

G.M. Meier and R.E. Baldwin

The rate at which one country's products exchange for those of another.

J.L. Hanson

$$\text{Terms of trade} = \frac{\text{Price of imports}}{\text{Price of exports}}.$$

K.K. Dewett

The price at which goods are cleared in international trade is known as terms of trade or exchange ratio. The concept was developed by John Stuart Mill, Alfred Marshall, Taussig, Viner, A.H. Imlah, G.S. Dorrance etc. have improved upon the concept.

C.S. Barla and H.S. Agarwal

TERRITORIAL DIVISION OF LABOUR (*Theory of value)

The phrase was coined by R. Torrens.

Mark Blaug

Localisation or location or concentration or centralisation of industry.

Frederic Benham

TERTIARY PRODUCTION (*Economics of development)

As opposed to primary and secondary production, it refers to commerce and transport services (while agriculture, forestry and fishing signify primary production, manufacturing, mining and buildings denote secondary production).

G.M. Meier and R.E. Baldwin

TESTAMENTARY TRUST (*Monetary economics)

A trust set up by will and involves the management of the estate of the deceased.

W.W. Haines

THEORY (*General economics)

A body of principles which enables us to approach the bewildering complexity and chaos of facts, select the facts significant for our purposes, and interpret that significance.

K.E. Boulding

THEORY OF BALANCED GROWTH (*Economics of development)

In substance the theory states that there should be a simultaneity of investment in a large variety of enterprises, simultaneity being needed to ensure the success of the individual enterprises.

Professor Singer uses the term "Simultaneous multiple development" while Professor Arthur Lewis employs the term "balanced development" for balanced growth.

Andley and Sundharam

It states that all sectors should be expanded simultaneously.

Hirschman

THEORY OF COMPARATIVE COSTS (*International economics)

The theory developed out of the classical labour theory. Haberler attributes the theory to Col. Robert Torrens. Today it is associated with the name of David Ricardo. Adam Smith expounded the theory in terms of absolute cost differences while Ricardo propounded the theory in terms of comparative costs. Later the theory was amplified and refined by J.S. Mill, Cairns, Bastable, Haberler and Taussig.

According to Ricardo, besides absolute advantage, comparative advantage or cost difference was necessary for the emergence of international trade.

Compiler

Ricardo's theory of comparative costs states that each country will produce those goods for the production of which it is especially suited on account of its climate, of the qualities of the soil, of its other natural resources, of the innate and acquired capacities of its people and of the real capital. It will concentrate upon the production of such goods producing more of them than it requires for its own needs and exchanging the surplus with other countries against goods which it is less suited to produce or which it cannot produce at all. In short each country specialises upon that branch of production in which it enjoys a comparative advantage thereby obtaining a greater total product from its given factors of production.

Gottfried Von Haberler

Raul Prebisch is the principal critic of this theory.

Compiler

The theory states that "each country tends to produce not necessarily what it can produce more cheaply than another country; but those articles which it can produce at the greatest relative advantage i.e. at the lowest comparative costs."

Quoted by K.K. Dewett

THEORY OF CONSUMER BEHAVIOUR (*Theory of value)

The classical theory of household or consumer behaviour arose initially out of the simultaneous but independent work of three economists,

W.S. Jevons of England, K. Menger of Austria and L. Walras of France. In the early 1870s, these three economists introduced the concept of utility maximization as the fundamental motivational basis of consumer behaviour. However, it was Alfred Marshall who in 1890 presented a systematic and complete analysis of the classical utility theory. Over the last 100 years, the theory of consumer behaviour has been amended, refined and sophisticated considerably. The consumer behaviour theory has three basic approaches:

(1) Cardinal utility approach,

(2) ordinal utility or indifference curve approach, and

(3) revealed preference approach.

Of these the revealed preference theory put forward by P.A. Samuelson in 1947, is the modern theory of consumer behaviour.

P.W. Bell and M.P. Todaro

THEORY OF DISTRIBUTION (*Theory of value)

In its narrowest meaning, it is an attempt to explain the forces governing the rates of reward per unit of the various factors of production.

In its broadest sense, it is an attempt to explain not merely the rates of reward per unit of several factors, but their aggregate rewards, both as absolute amounts and as proportions of one another and of the whole national income.

D.H. Robertson

The study of the principles on which the product of any complicated industrial process is distributed amongst those who contributed towards securing it.

P.H. Wicksteed

In the past ideas about the determination of factor prices were often referred to as the theory of distribution.

A.W. Stonier and D.C. Hague

The study of how rent, wages, interest and profits are determined and distributed among landlords, labourers, capitalists and entrepreneurs respectively.

The classicists treated the theory of distribution as, in the words of Ricardo, "the principal problem in the political economy", while the neo-classicists treated it as nothing more than an aspect of general value theory.

Compiler

THEORY OF FACTOR PRICES (*Theory of value)

A study of the way in which factors of production are priced and not a study of their respective shares in the income of the community.

A.W. Stonier and D.C. Hague

THEORY OF INTERNATIONAL TRADE (*International economics)

By the theory of international trade theory we mean the vast array of Adam Smith's "absolute cost difference" theory, David Ricardo's "Comparative cost difference" doctrine, Cairnes's "value" theory, J.S. Mill's "pure" theory, Senior's "utility" theory, Marshall-Bastable-Austrain "real cost" theory, Haberler's "opportunity cost" theory, Taussig's "monetary" theory, Heckscher-Ohlin theory, Leontif's paradox, factor-price equalization theorem and the views of Viner, Ellsworth, Kindleberger, Linder, Kravis and Jagdish Bhagwati of India, etc.

Compiler

The various theories of international trade are:

(1) *Classical theory* with many modifications,

(2) *Heckscher-Ohlin (modern) theory.*

These are mainstream theories. The new but less comprehensive theories are:

(3) *Vent-for-surplus approach.* It is applicable especially to less developed countries. It states that a country (underdeveloped) has often some commodity for which domestic demand is already satisfied and which it can readily export or that some idle resources are at hand which can be used for export purposes once trade is opened up. This theory which has mostly been used for explaining how colonial countries were drawn into trade, was expounded by the British economist Hla Myint in 1958.

(4) I.B. Kravis, an American economist, put forward the *Availability of scarce resources theory* of international trade in 1956 as a rival doctrine to the theory of comparative advantage. It says that Soudi Arabia exports oil because it has rich oil deposits.

(5) *Monopolistic market theory.*

(6) *Increasing returns to scale in production theory.*

(7) Technology theory. This has two versions: (a) Imitation gap theory, and (b) product-cycle theory, and

(8) Demand factor theory.

Bo Sodersten

THEORY OF LONG WAVES (*Business cycles)

Here there are two theories. The one attributes the causes of long waves to the impact of major wars. Silberling and Leonard P. Ayres are among the exponents of this theory.

The other long-wave theory is that of Joseph Schumpeter—the periodic development of important innovations in industry is the cause of long waves.

Raymond Bye

THEORY OF PRICE-SPECIE FLOW MECHANISM (*Monetary economics)

The theory may be briefly stated thus: A country whose price level is low in comparison with the price levels of other countries will receive a net import of gold, which will make possible an expansion of the volume of money in circulation. and that in turn, will cause its price level to rise; a country whose price level is disproportionately high will lose gold by exportation, so that it must contract, the volume of circulating money, with the result that its price level will fall.

The theory is based on the assumption that the rules of the game of gold standard are observed in the affected countries.

R. Kent

THEORY OF PRICE (*Theory of value/Monetary economics)

Another name for value theory.

Compiler

A study of the way in which changes in the quantity of money react upon the price level.

Dudley Dillard

THEORY OF PROFITS (*Theory of value)

"Till today there is no complete agreement among the economists about the true nature and origin of profits Profits remain that mixed and vexed income. Perhaps no term or concept in economic discussion is used with more bewildering variety of well-established meaning than profit. Even now the theory of profits confessedly remains one of the least satisfactory parts of economic doctrine," so on and so forth. This is how economists H.L. Ahuja, Taussig, Knight and R.A. Gordon, to quote only a few, lament.

As a result, economics is replete with a plethora of the theories of profits viz., rent theory of profits by F.A. Walker, wage theory of profits by F.W. Taussig, risk theory of profits by F.B. Hawley, F.H. Knight's uncertainty bearing theory, J.A. Schumpeter's innovation theory of profits, J.B. Clark's dynamic theory of profits, marginal productivity theory of profits, J.F. Weston's generalised Knightian theory, B.S. Keirstead's theory of profits and Martin Bronfenbrenner's neo-classical-Knightian theory.

All the above theories are not mutually exclusive but complementary to one another.

Compiler

THEORY OF PURCHASING POWER PARITY (*International economics)

It asserts that the relative value of different currencies corresponds to the relation between the real purchasing power of each currency in its own country.

The term "purchasing power parity" was first introduced by professor Gustav Cassel of Sweden who enunciated the theory in 1920 in its most extreme form. But he did not invent it.

Gottfried Von Haberler

Given a normal freedom of trade between two countries *A* and *B*, rate of exchange will establish itself between them and this rate will, smaller fluctuations apart, remain unaltered as long as no alterations in the purchasing power of either currency is made and no special hindrances are imposed upon the trade. But as soon as an inflation takes place in the currency of *A*, and the purchasing power of this currency will, therefore, diminish. The value of *A*'s currency in terms of *B*'s currency must necessarily be reduced in the same proportion. Hence the rule is that when two currencies have been inflated, the new equilibrium rate of exchange will be equal to the old rate of exchange multiplied by the quotient of degrees of inflation of both the countries. This parity may be called the purchasing power parity as is determined by the quotients of the purchasing powers of the different currencies.

Gustav Cassel

In the event of the prices of commodities being raised in one country by an augmentation of its circulating medium while no similar augmentation in the circulating medium of the neighbouring country has led to a similar rise in prices; the two countries will no longer continue to bear the same relative value to each other as before. The exchange will be computed between these two countries to the disadvantage of the former.

Bullion Report, 1910

According to the purchasing power parity theory which was stated by John Wheatley in 1802 in his *Remarks on Currency and Commerce*, and later developed by Gustav Cassel after breakdown of the gold standard on the outbreak of World War I, the equilibrium rate of exchange between two inconvertible currencies is determined by the ratio between their purchasing powers.

M.C. Vaish

The rate of exchange between two currencies must stand essentially on the quotient of the internal purchasing powers of these currencies.

Gustav Cassel

The relative values of national currencies especially when they are not on the gold standard in the long run are determined by their relative purchasing powers in terms of goods and services.

G.D.H. Cole

While the value of the unit of one currency in terms of another currency is determined at any particular time by the market conditions of demand and supply in the long run, that value is determined by the relative values of the two currencies as indicated by their relative purchasing powers over goods and services (in their respective countries). In other words, the rate of exchange tends to rest at that point which expresses equality between the respective purchasing powers of the countries. This point is called the purchasing power parity.

S.E. Thomas

According to the theory, the rate of exchange or the external value of a currency is determined by its internal value or the purchasing power.

Compiler

THEORY OF RENT (*Theory of value)

There are two theories which tell what rent is and how it arises. They are: (1) Classical or Ricardian theory of rent, and (2) modern theory of rent.

In the classical theory, the concept of rent is confined only to land or free gifts of nature whereas the modern theory extends the concept to other factors of production too. There is no integrated one theory of rent by one modern economist. The views of economists such as Marshall, Joan Robinson and Boulding have come to be known as the Modern theory of rent which is as a matter of fact further development and refinement of the Ricardian theory of rent to meet the realities of rent.

According to the Ricardian theory, rent is the differential surplus that arises from the fact of differences in the fertility of different plots of land. This is differential rent. It emerges because of the niggardliness on nature or the law of diminishing returns and the growing population. Rent is the difference between the production of the intra-marginal plot of land and that of the marginal plot under cultivation. Rent arised both at the extensive and the intensive margin.

The modern theory takes a broader view of the notion of the concept. Alfred Marshall writes, "in passing from the free gifts of nature through the more permanent improvements, to farm and factory buildings, to steam engines etc., and finally to less durable and less slowly made implements, we find a continuous series (of rents) .....even the rent of land is seen not as a thing by itself but as the leading species of a large genus." Mrs. Joan Robinson says, "the essence of the conception of rent

is the conception of a surplus earned by a particular part of a factor of production over and above the minimum earnings necessary to induce it to work." Any factor of production whose supply is perfectly inelastic earns rent, and not merely land factor. To quote Marshall again, "If the supply of any factor of production is limited and incapable of much increase by man's effort in any given period of time, then the income to be derived from it is to be regarded as of the nature of rent."

Compiler

THEORY OF SYSTEMATIC INVENTION (*Economics of development)

There are essentially two theories of the process of invention: the heroic theory and the systematic theory.

The theory of systematic invention which is elaborated in considerable detail by Usher, technological progress is not an exogenous force, but a social process which is influenced by the values of society and by cultural traits.

G.M. Meier and R.E. Baldwin

THEORY OF TAKE OFF (*Economics of development)

It is associated with the name of W.W. Rostow (W.W. Rostow, "The take-off into Self-sustained Growth", *Economic Journal*, March 1956).

According to this theory, the essential difference between the developed and the underdeveloped countries lies not so much in the highness or lowness of their rates of economic growth as in the fact that, while the developed countries can rely on their growth to continue steadily into the future as an automatic and self-generating process, the underdeveloped countries cannot.

Hla Myint

Rostow has characterised the stage of take-off by, *inter-alia*, a high rate of saving and investment, not less than 10 per cent of national income.

Compiler

THEORY OF VALUE (*Theory of value)

It teaches us that price which is value expressed in terms of money, is governed by the conditions of demand and supply.

Dudley Dillard

An attempt to explain the forces, which in a community, determine the value of one thing in terms of things in general.

D.H. Robertson

The literature dealing with pricing process.

Raymond Bye

The theory of value, alternatively known as theory of price, is the heart of economics. It is a study of determination of price of a good under varying market conditions and time periods.

Alfred Marshall can rightly be considered as the father of modern theory of value. However, he did not invent it. Prior to Marshall, there were three theories of value, viz., (i) labour theory of value associated with the names of Adam Smith, David Ricardo, and Karl Marx; (ii) Cost of production theory of value put forward by Richard Cantillon, Nassau Senior and J.S. Mill and (iii) Marginal utility theory of value propounded by C. Menger, W.S. Jevons and L. Walras.

According to labour theory of value, the value of a commodity is determined by the amount of labour spent on marking it. The cost of production theory asserts that the value of a commodity depends on its cost of production. The marginal utility theory states that the value of a commodity is determined by marginal utility.

Alfred Marshall synthesised the conflicting theories of cost of production and marginal utility by observing, "we might as reasonably dispute whether it is the upper or under blade of pair of scissors that cuts a piece of paper as whether value is governed by utility or cost of production." Later the value theory was refined by P. Srafia, Joan Robinson and E.H. Chamberlin.

Compiler

THEORY OF WAGES (*Theory of value)

From time to time various theories of wages which explain how the wages are determined, are advanced by different economists. The leading theories are:

(1) Subsistence theory of the Physiocrats,

(2) Wages fund theory of J.S. Mill,

(3) Residual claimant theory by F.A. Walker.
(These three are the classical theories).

(4) Marginal productivity theory.

(5) Discounted marginal productivity theory of F.W. Taussig.

(6) Collective bargaining theory of William Fellner.

Compiler

THESIS (*Marxian economics)

Existence of capitalism.

W. Fellner

THIRD FIVE-YEAR PLAN OF INDIA (*Economics of planning)

It commenced on April 1, 1961 and ended on March 3, 1966. The plan proposed a total outlay of Rs. 7500 crores in the public sector and an

investment of Rs. 4100 crores in the private sector. The actual public sector expenditure increased from Rs. 7500 crores to Rs. 8571 crores. Agriculture, irrigation and power received 36 per cent of the total targeted outlay. Transport and communication accounted for 20 per cent of the public sector outlay. Rs. 2880 crores were mobilised from additional taxation including measures to increase the surpluses from public enterprises. Deficit financing accounted for Rs. 1150 crores.

The plan objectives were 5 per cent p.a. increase in national income, achievement of self sufficiency in foodgrains, expansion of basic industries, fullest possible utilisation of man-power, opportunity and reduction of disparities of income and wealth.

The national income increased by 17 per cent as against the target of 25 per cent. Food production rose only to 73 million tonnes in 1965-65 whereas the target was 100 million tonnes. The industrial output increased at the rate of about 7.5 per cent p.a. as against the visualised rate of 11 per cent. In short there was a wide gap between promise and performance. The Sino-Indian conflict of 1962 and Indo-Pak war of 1965 were much responsible for the slow progress in the Third Plan.

Compiler

THIRD WORLD (*Economics of development)

Over 160 countries of the world are classified into three groups viz..

(1) First world: This consists of the affluent Western capitalist countries (including Japan in the east),

(2) Second World: This comprises the communist countries, and,

(3) Third world: This includes the poor countries.

The concept of the third world emerged in the 1930s and this group by far the largest in area and population has lately been gaining importance and exerting influence in world economic matters.

The term third world is synonymous with the expressions, "developing countries", "group of 77" (actually they number at present 112 countries) and the non-aligned block.

India is a member of the third world.

Compiler

THOROUGH GOING COMPETITION (*Theory of value)

Prof. A.C. Pigou's term for perfect competition.

Compiler

THRIVING ECONOMY (*Economics of development)

Developing economy.

W. Fellner

THUNEN JOHANN HEINRICH VON (1783-1850) (*History of economic thought)

"The first truly modern economist" (Mark Blaug).

Born at Oldenburg (Germany) on June 24, 1783, Thunen joined the Gottengen University in 1803. His principal contribution is *The Isolated State* which appeared in three volumes—the first volume in 1826, the second in 1842 and the third posthumously in 1863.

Alfred Marshall owed his theory of value to Thunen among others like Cournot.

Mark Blaug himself a brilliant economist writes, "No one has more claim to be considered the founder of marginal analysis than Thunen. Throughout his writings he relentlessly applied the principle that all forms of expenditure should be carried to the point at which the product of the last unit equals its cost; the total product is maximized only when resources are allocated equi-marginally...Von Thunen's rudimentary development of the concept of marginal productivity applied to wages (he gave the concept of 'natural wage') as well as to the revenue of capital, his use of differential calculus and marginal reasoning to provide equilibrium solutions of economic variables and his general statement of the principle of variable proportions make him the first truly modern economist."

Compiler

TIGHT MONEY (*Monetary economics)

Dear money.

Frederic Benham

Money is said to be tight when there is more money being called than lent out.

G. Crowther

TIGHT MONEY POLICY (*Monetary economics)

Dear money policy.

Dudley Dillard

TILL MONEY (*Monetary economics)

Notes and coins held by the bank on the premises to meet demands for cash by depositors.

Frederic Benham

Cash in hand.

R.S. Sayers

TIME (*Theory of value)

Period: There are three periods of time:

(a) market period, (b) short period, and (c) long period,

Alfred Marshall introduced the time element. He also talked of secular period or very long period. By introducing the time element, he was successful in resolving the controversy whether the price is determined by demand (marginal utility) or supply (cost of production).

Compiler

TIME DEPOSITS (*Monetary economics)

Fixed deposits or time liabilities.

Compiler

TIME DISCOUNT (*Monetary economics)

Pure or net interest.

Raymond Bye

TIME DRAFT (*Monetary economics)

Time bill. A draft ordering payment after a lapse of time.

L.V. Chandler

TIME LIABILITIES (*Monetary economics)

Fixed deposits which are withdrawable after specified periods. Deposits which are made for three months, six months, one year, three years or more.

A.K. Basu

TIME PREFERENCE (*Theory of value)

The preference to have an equal amount of goods and services at one time rather than at some other time.

Albert Meyers

The theory that if given a choice, people will always prefer consumption now to consumption later.

W.W. Haines

The inclination of human beings to place a higher estimate on present goods than on identical future goods.

Fairchild, Buck and Slesinger

TIME RATE (*Economics of labour)

A method of calculating wages. In this system, all employees engaged in similar work are paid an agreed sum per hour.

J.L. Hanson

TIME SERIES (*Business cycles)

A number of quantitative measurements arranged in chronological sequence.

J.A. Estey

TIME WAGE (*Economics of labour)

The reward paid to labour by hour, day, month or year.

Raymond Bye

TINBERGEN, JAN (B. 1903) (*History of economic thought)

The first (1969) Nobel laureate in Economics.

In 1969 the Swedish Academy of Science instituted Nobel Memorial prize in Economics, and Dr. Jan Tinbergen of the Netherlands along with Norwegian Ragnar Frisch, won it. "In honouring these men (Tinbergen and Frisch)", wrote the 1970 Economics Nobel Laureate P.A. Samuelson, "the Swedish Academy of Science could not have more fittingly summarized the nature of economic scholarship." Paying tributes to Tinbergen, J.A. Schumpeter in his *History of Economic Analysis* (1954) observed, "Economics that would be statistically operational is a dominant factor in our scientific situation. This factor. . . . favours macrodynamic methods. . . . As an outstanding example which displays both tendencies closely united and which constitutes so important an element in the economic research of our time that it cannot be omitted from any sketch of it is the work of Jan Tinbergen. His numerous aggregative schemata, most of which use many more variables to start with than do those of other authors, are in the first instance set up on the basis of purely theoretical considerations that are extremely simple—so much so that it is perhaps more enlightening to speak of commonsense considerations: they embody in a system of (almost always) linear equations with constant co-efficients the definitions of obviously important aggregates (definitional equations); the relations that are supposed to describe the behaviour of classes of household and firms (behaviour of 'decision' equations). This involves the fundamental principle that construction of the theoretical set-up should precede the statistical work".

Tinbergen is a multi-faceted economist: economic theorist, econometrician, business cycle expert, authority on planning and development and applied economist with profound influence over economic policy matters. He is one of the greatest mathematical-cum-statistical economic theorists of the 20th century.

Born of Dr. D.C. Tinbergen and Jeanette Van Eck at Hague, the Netherlands, on April 12, 1903, Prof. Jan Tinbergen married Tine Johanna De Wit in 1929. The Tinbergens have four daughters. His leisure interests are playing with his grand children, studying foreign languages and drawing. He studied Physics in Leiden University and took doctorate in that subject in 1929. He worked at the Netherlands Central Bureau of Statistics, Hague, from 1929 to 1945 and in the League of Nations Secretariat, Geneva, as business cycle analyst from 1936 to 1938. He was the Director of Central Planning Bureau of the Netherlands from 1945 to 1955 and Professor of Development Planning at the (now) Erasmus University of Rotterdam from 1933 to 1973 when he retired. Dr. Tinbergen

is the recipient of Doctorate degrees of more than 15 European universities. Prof. Tinbergen, the Knight of the Netherlands; the Lion, Commander, Order of Orange Nassau; Member of Econometric Society and Labour party, has inordinate love for the poor of underdeveloped countries.

Tinbergen, Member of the Netherlands Academy of Sciences and the 1967 Erasmus prize winner, is a prolific writer of brilliant books and articles. His long list of publications includes:

(1) *Les fondements mathematiques de la stabilisation du mouvement des affairs* (1938),
(2) A two volume *Statistical Testing of Business Cycle Theories*: (i) *A Method and its Application to Investment Activity* and (ii) *Business Cycles in the U.S. 1919-39* (1939), (This is the English translation of verification *Statistique des theories des cycles economiques*. It was published by the League of Nations as a supplement to Gottfried Von Haberler's Report),
(3) *The Dynamics of Business Cycles* (1942),
(4) *Econometrics* (1951),
(5) *Business Cycles in the United Kingdom 1870-1914*,
(6) *On the Theory of Economic Policy* (1952),
(7) *Economic Policy: Principles and Design* (1956),
(8) *Design of Development* (1958),
(9) *Selected Papers* (1959),
(10) *Shaping the World Economy* (1962),
(11) *Lessons from the Past* (1963),
(12) *Development Planning* (1968).

Dr. Tinbergen who has been the chairman of U.N. Committee for Development Planning is very much concerned over the widening chasm between the poor and rich nations. He sees a great danger to international stability in a world in which the imbalances in developing countries are getting more and more pronounced.

Complementing Tinbergen, Prof. Samuelson writes: "Thanks to pioneering work of . . . .Jan Tinbergen, today we have dozens of macroeconomic models of G.N.P."

Tinbergen using modern linear programming to analyse geographical capital-labour supplies and industrial intensities estimated the following 1970 pattern of true comparative advantage for the world:

(i) The U.S. would produce planes, chemicals, drugs, pumps, vacuums, cast iron, telecommunication equipments, soaps and ceramic products, (ii) Western Europe would concentrate on autos, textile machineries, alcoholic bevcridges, batteries, washing machines, animal

and vegetable oils, (iii) Japan would be shipbuilder for the world, (iv) the less developed countries would produce textiles, shoes and glass, and (v) the Soviet Union would produce computers.

Adverting to planning in the poor countries, Tinbergen advocated applying corrected "shadow prices" or "accounting prices" to labour, capital and imported goods for the purpose of getting a more rational valuation and allocation of scarce resources. That way maximum growth can be achieved.

Tinbergen has, among others, developed the Walrasian theory of general equilibrium and has constructed the static system aiming at the simplification of the structure of economic theory.

In his *The Design of Development*, Prof. Tinbergen explored certain essential features of development policy in the underdeveloped countries. These include the role of the Government in establishing an overall programme, the ownership of productive capacity and the encouragement of private enterprises. He argues that the plans should be based on maximizing the productivity of scarce factor. He says that detailed programming is inappropriate in the early stages of development. He asserts that more detailed planning is possible in advanced countries. He points out that highly capital intensive and labour intensive activities seem to turn out products that do not enter easily into international trade.

Tinbergen, one of the progenitors of econometrics defines econometrics as "the name for the field of science in which mathematical-economic, and mathematical-statistical research are applied in combination." He continues, "it is difficult to draw sharp boundaries between econometrics and mathematical economics. Econometrics could be defined as statistical observation of theoretically founded concepts or alternatively mathematical economics working with measured data."

Compiler

TITLES TO FOREIGN MONEY (*International economics)

The papers like bills of exchange, banker's drafts, and telegraphic transfers through which importers make payment to the foreign exporters for the goods purchased from the latter.

TOBIN, JAMES (b.1918) (*History of economic thought)

The American winner of Nobel prize for economic science for 1981.

Professor James Tobin—an eminent monetary economist of Yale University and an ardent follower of Lord Keynes—was awarded the coveted Nobel prize for his analysis of "financial markets and their relations to expenditure decisions, employment, production and prices."

r Swedish Academy of Science while awarding the prize said, "Mr.

Tobin's most important contributions are based on a theory which describes how individual households and firms determine the composition of their assets. This theory of which he is one of the foremost originators, is known as portfolio selection theory."

Prof. Tobin, "Yale's New Frontiers man", was a member of President Kennedy's Council of Economic Advisers in 1961-62; President of the Econometric Society in 1956 and the President of the American Economic Association in 1971. He is one of the exponents of the post-Keynesian modern economics. Besides monetary economics, he is a specialist in macro economic theory, theory of economic growth and consumption function. Since 1955 Tobin has been Professor of Economics at Yale University.

Born on March 5, 1918 at Champaign, Illinois, Tobin is a product of Harvard University. He got his B.A. in 1939, M.A. in 1940 and Ph.D. in 1947 from Harvard. He married in 1946. The Tobins have four children. He was awarded honorary LL.D. degree by Syracuse and Illinois universities in 1967 and 1969 respectively. Dartmouth College awarded him LL.D. in 1970. Yale and Michigan Universities have also awarded him post-doctoral followships and grants.

James Tobin's career is remarkable. He was:

(1) Economist, office of Price Administration and Civilian Supply, Washington D.C., 1941-42,

(2) Teaching Fellow, Deptt. of Economics, Harvard University, 1946-47,

(3) Junior Fellow, Cambridge University, 1949-50,

(4) Associate Professor of Economics, Yale University, 1950-55,

(5) Director, Cowles Foundation of Economic Research, 1955-57,

(6) Sterling Professor of Economics, Yale University, 1957,

(7) Chairman, Deptt. of Economics, 1968-69,

(8) Member and Acting Chairman, Federal Reserve Consultant Committee, consumer statistical survey, 1954-55,

(9) Consultant, Board of Governors, Federal Reserve System, 1955-57, 1963-66 and 1967,

(10) Economic Adviser, Ford Foundation, 1962-63,

(11) Senior Adviser, Brooking Institute, Panel for Economic Activity, 1970-72.

Dr. Tobin was awarded in 1955 the John Bates Clark Bronze Medal by the American Economic Association. He is a life member of the National Academy of Sciences and A.E.A.

Professor Tobin's highly original works include:

(1) *The American Business Creed*, 1956,
(2) *National Economic Policy*, 1966,
(3) *Risk, Aversion and Portfolio Choice* (Co. ed.) 1967,
(4) *Financial Markets and Economic Activity*, 1967,
(5) *Essays in Economics: Vol. I, Macro Economics*, 1972,
(6) *The New Economics: One Decade Older*, 1974,
(7) *Consumption and Economics*, 1975.

In the last mentioned work, Tobin dismissing, inflation writes, "our (American) economy, like all others of the modern world, has an inflationary bias . . . .When it operates without socially intolerable rates of unemployment and excess capacity, prices will drift steadily upward. As consolation I can only offer my opinion that inflation is greatly exaggerated as a social evil."

Tobin notes that new economics is not entirely novel, but essentially it is based on the Keynesian notion that deficit financing and tax cuts can reduce unemployment, promote economic growth, and even enhance federal revenues. He insists that "the validity of New Economics as science is not impaired but rather reinforced by the fact that bad things happened as predicted when the advice of its practitioners was rejected (by president Johnson). The salient feature of New Economics of which Tobin is a progenitor, is continual government interference with the course of the economy. He believes that the new economics it still the road to millenium, provided that we adopt number of fiscal and monetary reforms. . . in his programme, public service employment is only an adjunct of much more ambitious—and expensive macro-economic policies. In his "Liquidity Preference as Behaviour Towards Risk", Tobin deals with portfolio preferences of wealth-holders and the demand for money. In 1955, he presented a dynamic model with a government and money in it. In his 1955 article "A Dynamic Aggregate Model", he introduced money and public spending in a growth model.

Tobin believes that economic welfare is too important to leave either to statisticians or non-economists. Thus he has "tried to correct traditional GNP numbers to allow for disamenities of modern urban living, for enhanced leisure now enjoyed by the citizenry, for household work by wives that is ignored by the GNP statistician, and for various other adjustments."

Like his Chicago Colleague, Prof. Milton Friedman, Tobin has advocated negative income tax. Samuelson calls it "incentive-guaranteed income plan". In his "Is Growth Obsolete?" (1972) Tobin along with his Yale colleague William Nordhans, pioneered the concept of Net Economic Welfare (NEW) as a more meaningful measure of growth. For Tobin "money does not matter much."

Compiler

TODAY (*Theory of value)

Current period.

G.M. Meier and R.E. Baldwin

TODAY'S INCOME (*Monetary economics)

Yesterday's consumption plus investment.

D.H. Robertson

TODAY'S SAVING (*Monetary economics)

Yesterday's investment plus the excess of yesterday's consumption over today's consumption.

D.H. Robertson

TOKEN (*Monetary economics)

A coin with less than its face value as bullion.

W.W. Haines

TOKEN MONEY (*Monetary economics)

Money whose face value is fixed by law, greater than its intrinsic or real value.

Compiler

Money used for a small change is called token money, when its metallic content is worth less, as metal than the face value of the coin.

Frederic Benham

Money whose value is materially greater than the value of the stuff of which it is composed.

D.H. Robertson

TOLL (*Public finance)

It is akin to octroi except that it is leviable on vehicles (except motor vehicles) as animals used for draught riding, and freight transport that enter or pass through corporation area.

D.M. Nanjundappa

TOTAL CONSUMER'S OUTLAY (*Theory of value)

Total receipts or total revenue of the sellers.

Frederic Benham

TOTAL COSTS (*Theory of value)

Fixed costs (overhead costs)+variable costs.

A.W. Stonier and D.C. Hague

Total fixed cost plus total variable cost.

G.J. Stigler

TOTAL FIXED COSTS (*Theory of value)

Quantity of fixed productive times its price.

G.J. Stigler

TOTAL INCOME (*Theory of value)

The value of total output.

Dudley Dillard

TOTAL INVENTORY STOCK (*Theory of value)

A gigantic 'pool' of things.

K.E.Boulding

TOTAL INVESTMENT (*Monetary economics)

The sum of Home investment, Foreign lending and Imports of gold.

J.M. Keynes

TOTAL MARGINAL REVENUE (*Theory of value)

The increase in total revenue which results from a unit increase in total sales divided equally over all the various separated markets.

K.E. Boulding

TOTAL OUTLAY CURVE (*Theory of value)

Total expenditure curve. A curve which shows the total amount of money which consumers are prepared to spend on various hypothetical amounts of the good.

A.W. Stonier and D.C. Hague

TOTAL OUTPUT (*Keynesian economics)

The aggregate production of consumer goods and the aggregate production of investment goods.

Dudley Dillard

TOTAL PRODUCT (*Theory of value/Marxian economics)

C+V+S i.e. Constant capital+variable capital+surplus.

Joan Robinson

Sum of the marginal products.

Frederic Benham

TOTAL REVENUE (*Theory of value)

Selling price times the quantity sold.

A.L. Meyers

TOTAL SIGNIFICANCE (*Theory of value)

Value-in-use of any commodity. It may be represented by the sum of money which we should require as an equivalent for entirely surrendering it.

P.H. Wicksteed

TOTAL UTILITY (*Theory of value)

The amount of satisfaction derived from the consumption or possession of a good.

OR

The integral of marginal utility.

A.L. Meyers

Utility of the whole amount which is consumed at any given time.

A.K. Cairncross

The sum of marginal utilities of all the units considered as if they were added successfully to the stock.

Anatol Murad

TOTAL VARIABLE COST (*Theory of value)

Quantity of variable productive times cost.

G.J. Stigler

TOTALITARIAN PLANNING (*Economics of planning)

It indicates complete socialisation of entire national economy. In this system, the plans are formulated, controlled and financed and executed by the state. Individuals have nothing to say. It is followed in Soviet Russia and People's Republic of China.

A.B. Bhattacharya

TRADE (*Commerce)

A branch of commerce concerning with the exchange of commodities.

Davar

TRADE ASSOCIATION (*Industrial economics)

A non-profit organisation of business competitors for the promotion of one or more economic interests of those in the line of business or of the members in the territory covered.

S.C. Kuchhal

TRADE BILL (*Monetary economics)

Bill of exchange. It is a device for securing in a convenient form and with clearly understood legal safeguards, the financing of a transaction in goods that takes some time to complete.

TRADE CYCLE (*Business cycles)

The alteration of boon and slump. Prosperity and depression.

Frederic Benham

A replica on a small scale of an outright money inflation and deflation.

R.G. Hawtrey

An alternating expansion and contraction of the national income.

G. Crowther

The interplay between erratic shocks and an economic system able to perform cyclical adjustment movements to such shocks.

Jan Tinbergen

Peculiarly a manifestation of the industrial segment of the economy from which prosperity or depression is redistributed to other groups in the highly interrelated modern society.

Alvin Hansen

Trade cycles or business cycles are a type of fluctuation found in the aggregate economic activity of nations that organise their work mainly in business enterprises. A cycle consists of expansion occurring at about the same time in many economic activities followed by similarly general recessions, contractions and revivals which merge with the expansion phase of the next cycle, this sequence of changes is recurrent but not periodic.

W.C. Mitchell

A trade cycle is composed of periods of good trade characterised by rising prices and low unemployment percentages, altering with periods of bad trade characterised by falling prices and high unemployment percentages.

Lord Keynes

"Trade cycle" is a term used by the English economists for the American term "business cycle".

Compiler

TRADE DRAFT (*Monetary economics)

Trade bill. An order to any type of drawee, other than a bank, to pay.

L.V. Chandler

TRADE UNION (*Economics of labour)

An association of a class of persons in a peculiar social and economic position, concerned in bargaining over the sale of labour and the conditions of employment.

Maurice Dobb

A continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives.

Sydney and Beatrice Webb

A combination of employees formed for the purpose of collectively bargaining with employers.

J.L. Hanson

All organisations of employees—including those of salaried and professional workers as well as those of manual wage earners which are known to include among their functions that of negotiating with employers with the object of regulating conditions of employment.

The British Labour Ministry

TRANSACTION MOTIVE (*Theory of value)

One of the several reasons why people wish to hold wealth in the form of money. Transaction motive refers to the use of money as a medium of exchange for ordinary transactions such as buying raw materials, paying rent, paying wages, paying dividend etc.

Dudley Dillard

The desire to hold money to meet ordinary or known expenditures.

W.W. Haines

The need of Cash for the current transaction of personal and business exchanges.

J.M. Keynes

A motive to liquidity preference as conceived by Keynes.

It refers to the need for cash to bridge the interval between the receipt of personal and business incomes and their disbursement.

J.A. Estey

TRANSACTION THEORY OF MONEY (*Monetary economics)

Cash transaction approach to the quantity theory of money.

Compiler

TRANSACTION VELOCITY (*Monetary economics)

The number of times per year (or other period) that an average currency unit changes hands.

W.W. Haines

TRANSFER COST (*Theory of value)

Opportunity cost.

W.J. Fellner

TRANSFER EARNINGS (*Theory of value)

The amount of money that any particular unit could earn in its best paid alternative use.

Frederic Benham

TRANSFER PAYMENT (*Economics of labour)

Employment insurance and social security payments by a government.

G.L. Bach

Incomes without any due contribution to production.

Havens, Henderson and Crammer

TRANSFER RENT (*Theory of value)

Rent that is included in the cost of transferring resources from one activity to another.

W.J. Fellner

TRANSFORMATION CURVE (*Theory of value)

Also called "production frontier", it expresses the combination of goods obtainable in a full employment economy.

Prof. P.A. Samuelson was apparently first to employ the transformation curve.

Havens, Henderson and Crammer

TRANSPORTING (*Economics of transport)

The movement of goods from one place to another.

G.W. Forster and M.L. Leager

TREASURY (*Public finance)

The central organ of administration in Great Britain. Since 1612, it has been organised in the form of a board consisting of the first Lord of the Treasury, a title ordinarily given to the Prime Minister, and the Chancellor of the Exchequer and a variable number of junior lords of the Treasury (usually three).

E.R.A. Seligman

TREASURY BILL (*Monetary economics)

A promise by the Government to pay a stated sum three months after the date of issue, or simply an I.O.U. of the Government.

G. Crowther

TREND (*Business cycles)

A continued and continuous movement of the date of any activity in a recognizable direction over a period of time that is long relative to the business cycle.

J.A. Estey

TRIFFIN ROBERT (*History of economic thought)

A distinguished contemporary American economist. He is an international monetary expert, economics professor and master of Berkeley College at Yale.

Triffin himself a disciple of the late Edward H. Chamberlin—the famous author of the monopolistic competition—advocated abandonment of the latter's celebrated concept of "Group" and Chamberlin endorsed Triffin's idea.

Triffin's important book is *Monopolistic Competition and General Equilibrium Theory* (1940).

Compiler

TRIGGER APPROACH (*Economics of development)

It refers to merely saying "remove obstacles to economic development", or "release the inhabitors" etc. This approach does not carry one very far.

Compiler

TRUE INFLATION (*Monetary economics)

Inflation that occurs when prices rise without being accompanied by a rise in employment and output.

Dudley Dillard

TRUISM (*General economics)

It may be either a tautology and self evident or it may be trivial and obvious but nevertheless not true by definition.

A.W. Stonier and D.C. Hague

A self evident truth.

Compiler

TRUST (*Industrial economics)

When the leading firms in the industry combine together sinking their individual identities or when one firm absorbs the other, the firm which finally emerges as the result of these amalgamations is called a Trust in the U.S.A.

Frederic Benham

A unified business under single control.

Briggs and Jordan

A large firm formed by consolidation of the independent companies, or a group of associated companies under the control of a single interest, the firm or group of firms being large and strong enough to exercise power of monopoly.

A.K. Cairncross

The word is of American origin. It originated as a device to evade anti-monopoly legislation. It was quickly declared illegal in the U.S.A.

A. Beacham

"A form of business organisation established through temporary consolidation in which the stock-holders of the constituent organisations, under a trust agreement transfer a controlling amount of their stock to a board of trustees in exchange for a trust certificate."

Quoted by K.K. Dewett

TRUSTEE (*Industrial economics)

An individual or an institution who manages the fund of someone else (trustor) for the benefit of either the trustor or someone whom he has named (the beneficiary) under a written understanding (the trust agreement). The trustee is also called a fiduciary.

W.W. Haines

TURGOT, ANNE-ROBERT JACQUES (1727-81) (*History of economic thought)

The most important member of the Physiocratic school. His great work *Reflexions Sur la formation et la distribution des richess* (1766) is regarded as "the first scientific treatise on social economics". Born in Paris, Turgot was Finance Minister in the reign of Louis XVI.

Compiler

TURNOVER (*Economics of labour)

The rate of change in the working staff of a concern during a definite period. In other words it is a measure of the extent to which old workers leave and new workers enter the services of a concern in a given period.

R.C. Saxena

TURNOVER TAX (*Public finance)

A tax levied as a proportion of the price of a good on its each sale.

Compiler

TWENTY-POINT ECONOMIC PROGRAMME (*Economics of development)

On July 1, 1975 Mrs. Indira Gandhi—the then India's Prime Minister—announced the 20-point economic programme. The programme

has three particular aims in view : (1) To ensure social justice, (2) to relieve unemployment, and (3) to eradicate poverty. Some measures in the package are ameliorative, some others aim at rooting out the evils and the remaining aim at strengthening the infrastructural base of the economy.

The programme was not aimed at substituting the normal planning process but to supplement the 5-year plans by fully stressing some aspects thereof which required immediate attention and concerted efforts.

Mrs. Gandhi was defeated in the 1977 General Elections. On her return to power in January 1980, she announced the revised 20 point programme.

Alak Ghosh

The 20-point economic programme of the Prime Minister is a package of production-cum-welfare oriented measures. The following is the programme.

Announced on July 1, 1977 (Old programme)

1. Continuance of steps to bring down prices of essential commodities; streamlined production, procurement and distribution of essential commodities, strict economy in government expenditure.
2. Implementation of agricultural land ceiling and speedier distribution of surplus land and compilation of land records.
3. Stepping up of provision of house-sites for the landless and weaker sections.
4. Bonded labour, wherever it exists, will be declared illegal.
5. A plan for liquidation of rural indebtedness, Legislation for moratorium on recovery of debts from landless labourers, small farmers and rural artisans.
6. Review of laws on minimum agricultural wages.
7. Five million more hectares to be brought under irrigation. A National programme for use of underground water.
8. An accelerated power programme. Establishment of super thermal station under Central control.
9. New plan for development of the handloom sector.
10. Improvement in quality and supply of people's cloth.
11. Socialisation of urban and urbanisable land ceiling on ownership and possession of vacant land on the plinth area of new dwelling units.
12. Special squads for valuation of conspicuous consumption and prevention of tax evasion. Summary trials and deterrent punishment to economic offendrs.

13. Special legislation for confiscation of smuggler's properties.
14. Liberalisation of investment procedures. Action against misuse of import licences.
15. New schemes for worker's association in industry.
16. National Permit Schemes for road transport.
17. Income-tax relief to the middle-class-exemption limit raised to Rs. 8,000 per annum.
18. Supply of essential commodities at controlled prices to students in hostels.
19. Supply of books and stationery at controlled prices.
20. New apprenticeship schemes to enlarge employment and training, specially of the weaker sections.

Announced on January 14, 1982 (New programme)

1. Increase in irrigation potential and provision on inputs for dry land agriculture.
2. Special efforts to increase production of pulses and vegetable oilseeds.
3. Strengthening and expanding coverage of integrated rural development and national rural employment programmes.
4. Strict implementation of agricultural land ceilings and distribution of surplus land.
5. Review and effective enforcement of minimum wage for agricultural labour.
6. Rehabilitation of bonded labourers.
7. Accelerated programmes for development of Scheduled Castes and Scheduled Tribes.
8. Supply of drinking water to all problem villages.
9. Allotment of house sites to rural families and construction assistance to them.
10. Improving the environment of slums, house-building schemes for economically weaker sections and measures to arrest unwarranted increase in land prices.
11. Maximisation of power generation, electrification of villages.
12. Vigorous implementation of afforestation, social and farm forestry and development of bio-gas and other alternative energy sources.
13. Promotion of family planning on a voluntary basis as people's movement.
14. Substantial augmentation of universal primary health care facilities and control of leprosy, TB and blindness.

15. Accelerated welfare programmes for women and children, nutrition programmes for pregnant women, nursing mothers and children, specially in tribal hill and backward areas.
16. Spread of universal elementary education for children in the 6-14 age group with special emphasis on girls and involvement of students and voluntary agencies in the removal of adult illiteracy.
17. Expansion of the public distribution system, supply of text books and exercise books to students on a priority basis and promotion of a strong consumer protection movement.
18. Liberalisation of investment procedure and streamlining of industrial policies to ensure timely completion of projects, all facilities to handicrafts, handlooms, small and village industries to update technology.
19. Continued strict action against smugglers, hoarders and tax evaders and check on black money.
20. Improvement in the working of the public sector enterprises.

Mrs. Gandhi described it as "Agenda for the Nation".

The Economic Times

TWO-DOLLAR BROKER (*Industrial economics)

Brokers' broker on the New York Stock Exchange.

A.K. Basu

UNBALANCED BUDGET (*Public finance)

The budget is said to be unbalanced if anticipated revenue falls short of estimated expenditure.

Compiler

UNBALANCED GROWTH (*Economics of development)

The growth of capital investment in different sectors of a developing economy at a different rate. Some economists have argued that the resources required for a programme of balanced growth are so large that a really underdeveloped country cannot resort to such a policy. It should, therefore, deliberately adopt a policy of unbalancing of capital investment so as to concentrate on those industries and sectors which will induce growth in other areas.

M.L. Seth

The case for unbalanced growth as opposed to balanced growth was first argued out by W.W. Rostow in his 1956 article. Hans Singer amplified

the argument for unbalanced growth by observing that "it may well be better development strategy to concentrate available resources on types of investment which help make the economic system more elastic, more capable of expansion under the stimulus of expanded markets and expanding development." Albert Hirschman carrying Singer's idea contends that "deliberate unbalancing of the economy in accordance with a predesigned strategy is the best way to achieve economic growth" in contrast to Paul, N. Rosenstein Rodan and Nurkse's argument of "a frontal attack...a wave of capital investment in a number of different industries."

Compiler

UNCERTAINTY (*Theory of value/Managerial economics)

Unforeseen and non-insurable business risk.

Compiler

UNCERTAINTY BEARING (*Managerial economics)

Responsibility for risks which cannot be standardised and insured against.

Briggs and Jordan

UNCERTAINTY BEARING THEORY OF PROFITS (*Theory of value)

This widely accepted theory was advanced by Prof. F.H. Knight (U.S.A.) in his classic work *Risk, Uncertainty and Profit* (1940). According to it profits are a reward to the entrepreneur for bearing uncertainty.

Compiler

UNCONTROLLABLE FACTORS (*Economics of development)

Natural factors such as weather.

Compiler

UNDERCONSUMPTION (*Business cycles)

Alleged insufficiency either of money incomes or of expenditure on consumer goods out of those incomes.

Very frequently it is used to mean the process by which purchasing power is in some way lost to the economic system and, therefore, fails to become income and to appear as demand in the market for consumer goods. In a sense it is just an another word for deflation.

Gottfried Von Haberler

UNDER-CONSUMPTION THEORY OF BUSINESS CYCLES (*Business cycles)

It is a theory of crisis and depression rather than a theory of business cycles.

Gottfried Von Haberler

Associated with the names of J.A. Hobson and Major C.H. Douglas, the theory states that very wide income disparities between the rich and the poor in the society by causing the uncanny phenomenon of over-saving and under-consumption force the entire economic system to slid into the seething cauldron of a business cycle.

K.P.M. Sundharam and M.C. Vaish

The under-consumption theories have been developed to a considerable degree by non-professional economists like Major C.H. Douglas, English engineer-turned-economist.

According to these theories, inability on the part of the consumers to buy the products of industry at prices that will cover their costs, is the fundamental cause of recurring crises and depressions.

J.A. Estey

UNDER-DEVELOPED COUNTRY (*Economics of development)

An underdeveloped nation is simply one with real per capita income that is low relative to the present day per capita incomes of such nations as Canada, the U.S.A., Great Britain, France and Western Europe generally. Usually an underdeveloped nation is one regarded as being capable of substantial improvement in its national income.

Paul A. Samuelson

The term "underdeveloped countries usually refers to countries or regions with levels of real income and capital per head of population which are low by the standard of North America, Western Europe and Australia.

P.T. Bauer and B.S. Yamey

An underdeveloped country is one in which on the whole, production is carried on with a relatively small amount of real capital per head and relatively backward techniques in the broadest sense of the word.

United Nations Organisation

An underdeveloped country is one in which output per capita is relatively low and in which productive efficiency is increasing slorwly if at all.

E.M. Bernstein

An underdeveloped country is one in which the technical and monetary ceilings are as low as particularly coincide with the actual level of output and savings, with the result that the average remuneration per unit of labour (or per working person) is lower than it could be if known technology were applied to known resources.

J.R. Hicks

Underdeveloped areas are backward countries which as compared with the advanced (countries) are underequipped with capital in relation to their population and natural resources.

Ragnar Nurkse

For policy purpose we might even define an underdeveloped country as one with announced goals and policies for economic development which is regarded as a candidate for assistance through foreign aid programmes of the U.S. and other Western nations.

In general underdeveloped countries are those whose per capita income is less than one-quarter of those of the U.S.

Benjamin Higgins

A country which has good potential prospects for using more capital or more labour or more available natural resources, or all of those to support its present population on a high level, or, if its per capita income level is already fairly high, not lower level of living.

Jacob Viner

A country characterised by mass poverty which is chronic and not the result of some temporary misfortune, and by obsolete method of production and social organisation which means that the poverty is not entirely due to poor natural resources and hence could presumably be lessened by method already proved in other countries.

Eugene Staley

A country with 70 to 90 per cent of the employed population in agriculture.

Hans Singer

An underdeveloped country is one which is characterised by the co-existence, in greater or less degree, of unutilised or under-utilised man-power, on the one hand and of unexploited natural resources on the other.

First Five-Year Plan of India

The underdeveloped countries are, for the sake of decency, referred to as developing countries. The alternative names are "emerging countries", "expanding countries", "poor countries", "backward countries" etc. Frequently the term "Third World" is employed to refer to underdeveloped countries. The term "Third World" generally means non-communistic poor economics. The term "Second World" signifies the communist countries whereas the term "First World" denotes industrially advanced capitalist rich countries. There is also the classification of the countries into rich countries, middle income countries, poor countries and very poor countries. At present India ranks the 15th poorest nation in the world according to the 1980 World Bank Report.

An underdeveloped country may be defined as one where the physical, financial and human capital are under-harnessed resulting in poverty, unemployment and illiteracy.

Compiler

UNDER-DEVELOPMENT (*Economics of development)

The failure to utilize fully the potential economic output warranted by existing technological knowledge—this failure being ascribable to:

(a) obstacles inherent in the 'social' institutions, internal and external to the country,
(b) bacwardness in level and character of economic performance compared with other countries (or units of different type), and
(c) the failure to provide acceptable levels of living to a large proportion of a country's population with resulting misery and material deprivation.

Simon Kuznets

UNDER-DEVELOPMENT EQUILIBRIUM (*Economics of development)

The long period analogue to Keynes's short-period under employment equilibrium.

G.M. Meier and R.E. Baldwin

UNDER EMPLOYMENT (*Economics of labour)

A situation in which a person does an inferior kind of paid work i.e. a work which is not commensurate to his qualifications or skill.

Compiler

UNDER EMPLOYMENT EQUILIBRIUM (*Keynesian economics)

The demonstration that there exists no mechanism in a competitive economy that guarantees full employment.

Mark Blaug

A contribution of Lord Keynes which is diametrically opposed to full employment equilibrium of the Classicists.

Compiler

UNDER INVESTMENT THEORY OF BUSINESS CYCLES (*Business cycles)

Under-consumption or over-saving theory of business cycles.

Compiler

UNDERNUTRITION (*Demography)

The aspect of inadequacy of the diet.

Compiler

UNDER POPULATION (*Demography)

The number below the optimum level i.e. below what it ought to be to the given resources, state of technical knowledge, stock of capital etc.

K.K. Dewett

$$M = \frac{A-O}{O}$$

Where M=degree of maladjustment
A=Actual population
O=Optimum population.

If M is negative, it is under-population.

Hugh Dalton

A country is underpopulated when the marginal product of labour is greater than the existing average output per head, for in such circumstances the average output could be raised by slightly increasing the population.

Briggs and Jordan

UNDER VALUATION (*International economics)

Depressing the exchange value of a currency below the free level.

G. Crowther

A currency is said to be under-valued abroad, when for any reason whatever, its value on the exchange market is less than that warranted by the level of home prices, and incidentally, by the state of the balance of payments.

Briggs and Jordan

Decline of the spot rate below purchasing power parities so that goods of two countries entering into foreign trade are cheaper than in other countries.

Paul Einzig

This occurs when a currency is given a lower value externally than internally, i.e., a lower value than it would have in a free market.

M.L. Seth

UNDESIGNED INVESTMENT (*Business cycles)

An increment of unconsumed wealth which is not acquired voluntarily in the expectation of its being remunerative—this will be an involuntary accumulation of unsold goods.

R.G. Hawtrey

UNDIFFERENTIATED OLIGOPOLY (*Theory of value/Business economics)

Pure oligopoly i.e. oligopoly with no product differentiation.

Kenneth Galbraith

UNDISTRIBUTED PROFITS (*Industrial economics)

Corporate profits minus profits, taxes and dividends to stock holders. They are frequently referred to as ploughed-back earnings.

W.W. Haines

UNEARNED INCOME (*Public finance)

Income arising from property.

Abnormal income which is due to socially determined circumstances over which individuals do not have control.

Andley and Sundharam

UNEARNED INCREMENT (*Theory of value)

The theory that land furnishes an increment of value unearned in a special sense as not being due to human efforts.

It is a familiar term since the days of David Ricardo, but it became very prominent after 1880 with the publication of Henry George's *Progress and Poverty*.

Briggs and Jordan

An increase in the value of land or other property as a result of increased demand and not due to any kind of improvement undertaken by the owner.

M.L. Seth

UNEMPLOYED PERSON (*Economics of labour)

One who is seeking work of wages but is unable to find any suited to his capacities and under conditions which are reasonably judged by local standard.

League of Nations Committee

UNEMPLOYMENT (*Economics of labour)

Wasted man-power resources.

R.A. Lester

Any person who fails to work can be thought as being unoccupied and therefore, in a sense unemployed for the duration of his occupancy.

G.S. Watkins and P.A. Dodd

An unemployed person is one who is able and willing to work, but who is not working and not able to find work for which he is qualified under conditions that are reasonable as judged by local standards.

A.E. Waugh

Unemployment is a condition of joblessness at the current wage rate. In Economics the term has generally come to mean involuntary unemployment.

P.H. Prasad

A situation in which an able bodied and qualified person is willing to work but is not able to get any suitable work or job.

Unemployment may be of the following types:

(a) Involuntary unemployment,
(b) Voluntary unemployment,
(c) Actual or open unemployment,
(d) Disguised unemployment (the term was coined by Mrs. Joan Robinson in 1947),
(e) Cyclical unemployment,
(f) Seasonal unemployment,
(g) Structural unemployment,
(h) Technological unemployment,
(i) Frictional unemployment,
(j) Mass unemployment,
(k) Sectoral unemployment,
(l) Unemployment among the educated,
(m) Unemployment among the blue collared workers,
(n) Abnormal unemployment,
(o) Total unemployment,
(p) Intermittant unemployment.

Compiler

UNFAVOURABLE BALANCE OF PAYMENTS (*International economics)

A nation's balance of payments is said to be unfavourable when it is balanced only by net sales of gold, net decreases in its holdings of deposits and other short-term claims abroad or net increases in its short-term debt to foreigners.

L.V. Chandler

A nation's balance of payments is said to be unfavourable or deficit or adverse when the difference between autonomous supply of and autonomous demand for foreign exchange is negative.

Compiler

UNFAVOURABLE BALANCE OF TRADE (*International economics)

A country's balance of trade is said to be unfavourable or deficit or passive or adverse when her net imports of visibles exceed the net exports of visibles.

Compiler

UNFINISHED GOODS (*Industrial economics)

Working capital+Stocks.

J.M. Keynes

UNFUNDED DEBT (*Public finance)

National debt which consists of short-period loans earning annual interest, repayable on or before a fixed date.

Briggs and Jordan

UNIFIED NATIONAL ECONOMY (*Economics of development)

An economy which is carried on by a single organisation, e.g. the collectivists economy of Soviet Russia.

A totality of separate economies which are more or less closely connected by trade and exchange.

Gottfried Von Haberler

UNINTENDED INVESTMENT (*Industrial economics)

The accumulation of unsold finished goods (liquid capital in Keynes's terminology) arising from unforeseen changes in the market.

Dudley Dillard

UNIQUE EQUILIBRIUM (*Theory of value)

A position of unique (or single) equilibrium (as opposed to multiple equilibrium) arises if there is a single set of prices and quantities which fulfil the conditions of equilibrium.

G.J. Stigler

UNIT BANKING (*Monetary economics)

Most of the commercial banks of the U.S. have individually only one office or 'shop' in which all their business operations are centred. They are thus said to be unit banks and the U.S.A. is said to have in general, a unit banking system.

R. Kent

The number of commercial banks in the U.S. is more than in other country. This large number is due in part to the prevalence of unit banking. This means that banks operate as independent units rather than as branches of a head office located in New York or so.

Anatol Murad

A situation in which a bank does not operate any branches.

W.W. Haines

Carrying on banking business through a single office though some few are allowed to have branches within a strictly limited area.

R.S. Sayers

UNIT ELASTICITY OF DEMAND (*Theory of value).

Elasticity of demand is one (unity) if a small fall in price will cause an equal proportionate increase in the amount demanded.

A.W. Stonier and D.C. Hague

Elasticity of demand is unity or unitary when even though the price has changed, the total amount spent (total revenue) remains the same. A rectangular hyperbola represents unit elasticity.

K.K. Dewett

When a given fall or rise in price brings about an equivalent increase or decrease in the quantity demanded, elasticity of demand is said to be unity or one.

M.C. Vaish and K.P.M. Sundharam

UNIT OF ACCOUNT (*Monetary economics)

Sometimes referred to as the "money of account" or "standard of value", it implies the primary unit of measurement in terms of which values are generally calculated, accounts kept and contracts written.

Whittlesey, Freedman and Herman

UNIT TRUST OF INDIA (U.T.I.) (*Industrial economics)

Established by the Government of India on February 1, 1964 under the Unit Trust of India Act, 1963 with headquarters at Bombay, it started the sale of units to the public from July 1, 1964.

Organised broadly on the pattern of unit Trusts in Great Britain, it is essentially a financial intermediary which pools savings of the community, particularly the small investors, and invests them on behalf of the unit holders in a wide range of securities. The basic objective of the UTI is: to afford the small investor a means of acquiring a share in the widening prosperity based on steady industrial growth of the country which combines the advantages of a minimum risk and a reasonable return.

A unit has the face value of Rs. 10. To pool savings, the Trust sells units. All units rank equal for the distribution of income regardless of when they are acquired. The Trust is always ready to both buy and sell its units at prices published by it. Thus, a unit holder is assured of complete liquidity for his investment. The Trust is exempt from the payment of income tax and other taxes on income. Units are sold through the network of bank offices, approved brokers and individual agents.

The initial capital of Rs. 5 cr. was contributed by the R.B.I., S.B.I. L.I.C., schedule banks and specified financial institutions. The general management of the Trust is vested in a Board of Trustees consisting of a Chairman.

Compiler

UNIT INCOME ELASTICITY OF DEMAND (*Theory of value)

In this situation the proportion of consumer's income spent on the good in question is exactly the same both before and after the rise in income.

M.C. Vaish and K.P.M. Sundharam

UNITARY ELASTICITY OF DEMAND (*Theory of value)

Unit elasticity of demand (See supra).

Compiler

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD) (*Economics of development)

A forum of nations created under the U.N. Charter for finding solutions to the international problems of trade and economic development, specially of under-developed countries.

In December 1961, the General Assembly of the United Nations Organisation asked the Secretary General (of the UNO) to consult the members on the advisability of convening an international conference on the problems of international trade. The Cairo conference on the problems of Economic Development held in July 1962 issued a Declaration strongly recommending the early convening of such a conference.

Pursuant to this, in July 1963 the United Nations Economic and Social Council (ECOSOC) passed a resolution to convene an UNCTAD. It also set up a preparatory committee to consider the agenda and documentation for the conference with a particular reference to the problems of developing countries.

The need for conference arose from the fact that exports from developing countries had been growing slowly between 1950 and 1962 compared to those of developed and centrally planned countries. The difficulties of expanding countries were aggravated by the deterioration in their terms of trade during 1950-62, resulting in adverse trade balance.

The three major pillars of the existing international economic order viz., IMF, IBRD and GATT being (supposedly) meant to promote the interests of advanced countries, the developing nations began to face the difficulties in their efforts to fight poverty and began to unite slowly so that they could voice their grievances with some strength. Hence they proposed that there should be world conference to look at those issues where they could have their way without enlisting the support of the developed countries.

It is against this background that the UNCTAD-I was held in Geneva in 1964 from March 23 to June 16. Representatives of 120 countries including the socialist countries of East Europe participated in the conference and there were observers from 13 specialised agencies and 34 non-governmental organisations. The conference considered various ways to raise the external resources of the developing countries. Since then

every four years (some times three years) the successive UNCTAD sessions are being convened. So far six quadrennial sessions of the UNCTAD have been held as shown below:

(1) UNCTAD-I, in Geneva, Switzerland, from March 23 to June 16, 1964. It was attended by 120 nations and UN Secretary-General U. Thant opened it.
(2) UNCTAD-II, in New Delhi, India, from February 1 to March 30, 1968. 132 countries attended and U. Thant inaugurated it.
(3) UNCTAD-III, in Shantiago, Chile, from April 13 to May 17, 1972. It was attended by 141 countries and U.N. Secretary-General Kurt Waldheim opened the Session.
(4) UNCTAD-IV, in Nairobi, Kenya, from May 3 to May 31, 1976. 150 Members attended and Kurt Waldheim inaugurated it.
(5) UNCTAD-V, in Manila, Philippines, from May 7 to June 3, 1979. It was attended by 159 countries and Kurt Waldheim inaugurated it.
(6) UNCTAD-VI, in Belgrade, Yugoslovia, from June 6 to June 30, 1983. It was attended by 166 countries and the U.N. Secretary-General Mr. Javier Perez de Cuellar inaugurated it at the sprawling Sava centre. The Yugoslovian President Mr. Mika Spiljak made a fervent plea to the world community in his opening speech to adopt bold, far-sighted and concerted action for finding just solutions to the pressing international economic problems. Mrs. Indira Gandhi, the then Prime Minister of India delivered the second Raul Prebisch memorial lecture on "Peace and Development" on June 7, 1983 at UNCTAD-VI. The UNCTAD Secretary-General Mr. Gamani Corea hoped for the best. The Group 77 expressed its deep disappointment as definite commitments were not made to solve the problems of the third world.

The Chief executive of the Conference is the Trade and Development Board, headed by the Secretary-General. Dr. Raul Prebisch was the first Secretary-General. About the middle of 1968, he was succeeded by Dr. Manuel Perez Gurrero. It meets at least twice a year.

It is sad that UNCTAD (subsidiary organ of the UNO) is not achieving much success. In view of this UNCTAD has come to mean "under no circumstances take any decision."

Compiler

Established in 1964, the U.N. Conference on Trade and Development (UNCTAD) has played a crucial role as a permanent organ of the General Assembly of the UN for deliberation, negotiation, review and implementation of agreements in the field of international trade and co-operation for development. While its substantive responsibility has been in the field of

trade and development, including shipping, insurance and transfer of technology, its mandate has encompassed also the interpretations relevant to the New International Economic Order (NIEO) which have been initiated in UNCTAD, including those on the integrated programme for commodities (including the common fund), the debt problem, the technology code, and on restrictive trade practices. UNCTAD has further become the leading institution for formulating international policies and measures to deal with the special problems of the least developed, land-locked islands and also has assumed the principal role at the global level in promoting economic cooperation among developing countries.

World Community Supplement, The Indian Express, June 26, 1979

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) (*Economics of development)

The world's most broadly-based development organisation, the U.N. Development Programme (UNDP) has been influenced both by the drive for greater co-operation among developing countries, and by an internal reordering of priorities In June 1975, the programme's 48 nation governing council endorsed a series of "New dimensions" in the role of UNDP. The council—and subsequently the U.N. General Assembly - placed renewed emphasis on the achievement of self-reliance in developing countries as the basic purpose of UNDP technical co-operation. Towards that end, measures were taken to increase the range and flexibility of the programme by, for example, more liberal policies for financing local costs and personnel. As another new dimension, UNDP was also called upon to "give increased support" to programmes of Technical Co-operation Among Developing Countries (TCDC)—a mandate which led to the convening of the August 1973 United Nations Conference on TCDC. As a result of that conference, periodic high level meetings of government representatives will guide the process of promoting TCDC, which is to "permeate" the entire work of UNDP and the wider U.N. development system, and UNDP's capacity is being strengthened to support the organisations enlarged role in TCDC.

World Community Supplement, The Indian Express, June 26, 1979

UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP) (*Ecology)

An auxiliary agency of the UNO established to help countries in the protection of natural environment and to prevent air pollution, desertification, soil degradation etc. Headquartered at Nairobi, it was set up on the recommendation of the first-ever international conference on the protection and conservation of the Human Environment convened by the UN at Stockholm in June, 1972.

Compiler

Set up after a major conference in 1972, the U.N. Environment

Programme (UNEP) has from its inception striven to impress upon the public mind that it is futile and self-defeating to view the world's environmental concerns in conceptually narrow, sectoral or parochial terms. Responsibility for environmental protection and improvement cannot be restricted to pollution abatement or to measures for environmental protection within national borders. Since 1974 UNEP has made a point of emphasising that environmental issues are deeply rooted in the persistence of poverty, in the extravagance of life-styles, in the inequities in the distribution of incomes and wealth, and in the wasteful exploitation of the world's resources. At present UNEP is organising a series of regional seminars on alternative patterns of development and lifestyles.

World Community Supplement, The Indian Express, June 26,1979

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION (UNIDO) (*Economics of development)

Headquartered at Vienna, UNIDO, an integral part of the UNO was established in January 1967 as a result of a resolution adopted by the UN General Assembly "to promote and accelerate the industrialisation of the developing countries.

The three week conference of UNIDO-III which was attended by all its 133 members ended in February 1980 (in fiasco)

Compiler

An young organisation created in 1966, the U.N. Industrial Development Organisation (UNIDO) aims at promoting and accelerating industrialisation in developing countries and to co-ordinate all United Nations efforts having the same objective. Since 1975 when UNIDO's second general conference adopted a declaration and plan of action to accord with a new international economic order, the organisation has devoted all its efforts to supporting the decision taken, including raising industrial production in developing countries to 25 per cent of the world total by the end of the century. International consultations have the aim of facilitating relocation of industries in developing countries and of convincing advanced nations that they too will benefit from such action. UNIDO also canvasses advanced nation industrialists for investments in projects evolved with governments or entrepreneurs and considered likely to bring profits.

World Community Supplement, The Indian Express, June 26, 1979

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) (*Economics of development)

It was created on November 3, 1961 to bring American economic assistance under a unified administration. It gives both developmental loans and grants.

Compiler

UNIVERSAL GOLD STANDARD (*Monetary economics)

Pure or gold circulation standard. It is a monetary system under which a nation (1) defines its currency as a given weight of gold, (2) provides convertibility at par between gold and all other forms of currency, and (3) permits free movement of gold both at home and abroad.

W.W. Haines

UNREQUITED EXPORTS (*International economics)

The output which is neither consumed at home nor exchanged for exports but which goes away to pay interest on loans borrowed abroad or to pay profits on investments made in the country by foreigners.

Frederic Benham

UNSPENT MARGIN (*Monetary economics)

The term used by R.G. Hawtrey in his cash balance theory of price level.

A person does not spend all his (periodical) income or receipts. A part he prefers to hold in currency or in the form of a balance at his bank. These holdings constitute his money balance or his "unspent margin" as Hawtrey has called it. This fraction is denoted by the symbol K.

Raymond Bye

UNSTABLE EQUILIBRIUM (*Theory of value)

A system is in unstable equilibrium if the small disturbance calls out further disturbing forces which act in a cumulative manner to drive the system away from initial position.

An egg poised on one of its ends is in unstable equilibrium.

A.C. Pigou

UNSTABLE EQUILIBRIUM VALUE (*Theory of value)

An equilibrium value, change in which calls forth forces which tend to move the system farther and farther away from the equilibrium value.

J.A. Schumpeter

UPPER TURNING POINT (*Business cycles)

Turn from prosperity to depression, down turn, crisis in the technical sense.

Gottfried Von Haberler

UPSWING (*Business cycles)

Expansion, prosperity.

Gottfried Von Haberler

UPTURN (*Business cycles)

Recovery from depression (a phase of trade cycle).

Frederic Benham

Revival.

Gottfried Von Haberler

USANCE (*Monetary economics)

The length of time that a debt has to run before repayment. Tenor.

W.W. Haines

USANCE BILL (*Monetary economics)

Bill payable sometime hence.

Rajnarain Mathur

USER COST (*Keynesian economics)

The amount which an entrepreneur pays out to other entrepreneurs for what he has to purchase from them together with the sacrifice which he incurs by employing the equipment instead of leaving it idle.

J.M. Keynes

Keynes's term—It refers to depreciation which is clearly attributed to production.

K.E. Boulding

Cost of using machinery in terms of depreciation and maintenance in excess of the cost of leaving it idle.

M.L. Seth

USUARY (*Monetary economics)

Originally any interest charge; now an exorbitant interest charge, usually defined by law.

W.W. Haines

UTILITARIANISM (*Theory of value)

Scientific ethics.

I.M.D. Little

Jeremy Bentham's utilitarian philosophy: the greatest happiness of the greatest number.

Compiler

UTILITIES (*Theory of value)

Commodities.

K. Wicksell

UTILITY (*Theory of value)

Want-satisfying power of a commodity or service.

K.K. Dewett

For Bentham, the term refers to some power in objects to create satisfaction in people.

With Marshall and Pigou it is equivalent to desiredness.

(For us) it means satisfaction or anticipated satisfaction.

I.M.D. Little

The quality which makes commodities desirable to buyers.

Joan Robinson

The quality or capacity of a good which enables it to satisfy a human want.

A.L. Meyers

The amount of satisfaction to be derived from a commodity or service at a particular time.

J.L. Hanson

As the term is pregnant with utilitarian suggestions several attempts were made to replace it with other expressions themselves none satisfying. Thus Gide proposed "desirability", and Wicksteed "desiredness". Fisher used "desiredness" and "wantability" and Pareto "ophelimity". Several other expressions have been used in the literature, e.g. 'pleasure', 'satisfaction', 'gratification' benefit' 'capacity to satisfy desire' etc. etc.

H.K. Manmohan Singh

UTILITY TERMS OF TRADE (*International economics)

They reflect changes in tastes or the relative average utility per unit of imported commodities and of domestic commodities whose domestic consumption is precluded by allocation of resources to production for export.

G.M. Meier and R.E. Baldwin

UTOPIANISM (*Economic development)

Utopian socialists or associationists visualised human happiness and social justice as the proper goal of social progress and preached that the existing order of individualism benefitted only a few privileged individuals. They formulated the fundamental principles and practices of an ideal commonwealth and made attempts to organise communistic societies in France, the U.K. and the U.S. Saint Simon, Charles Fourier, E. Cabet, Louis Blanc, Robert Owen are some of the leading members of Utopian school.

V.V. Giri

VAKIL, CHANDULAL NAGINDAS (1895-1979) (*History of economic thought)

An eminent Indian economist.

Professor C.N. Vakil—a student of Dr. Edwin Cannan and the teacher of Dr. V.K.R.V. Rao—was born on August 22, 1895. In 1918, he stood first to Bombay University in M.A. examination and won the Telang Gold Medal. He did his M.Sc. (Econ.) under Dr. Edwin Cannan (1861-1935). At the age of 33, he was asked by Gandhiji to analyse poverty in India and suggest anti-poverty measures. At the age of 35 years, he became the Director of the Bombay School of Economics and held the post for 26 years. He was the first professional economist to become the president of the Indian Economic Association in 1934. From 1957 to 1960, he was the Director of an UNESCO Research Centre at Calcutta. During 1945-46, he served as Economic Adviser to the Government of India (Department of Planning and Development). He was elected president of the Indian Agricultural Economics Conference held in 1952. On August 22, 1968, Prof. Vakil was appointed the Vice-Chancellor of the South Gujarat University, Surat.

Prof. Vakil started his career as an Assistant Professor of Economics in Bombay University in 1921. He held the post until 1927. From 1927 to 1930, he worked as Professor of Economics. In 1954 he was invited by the U.S. State Department as a specialist. He was a member of the Experts Committee of the I.L.O. in 1956 and a member of the U.N. Panel of Experts on Industrial Management in 1957. In 1965 he was a Visiting Professor at the Indiana University (U.S.A.). In 1956 he was invited to participate in the First World Congress of Economics held at Rome.

Professor Vakil, a product of London School of Economics, was a staunch capitalist economist and perhaps the country's greatest monetary economist. Besides, he specialised in planning, public finance and industry. Apart from numerous articles, he wrote a number of books, which include:

(1) *Our Fiscal Policy* (1922),
(2) *Financial Development in Modern India 1860-1924* (1925),

(This book is a part of Vakil's research work carried out at the L.S.E. Incidentally it is considered to be his most important work.)

(3) *Currency and Prices in India* (1927) (with S.K. Muranjan),
(4) *Growth of Trade and Industry in India* (1931) (with S.C. Bose and P.V. Deolalkar),
(5) *Economic Outlook in Federal India* (1933),
(6) *Industrial Policy of India* (*1934*) (with M.C. Munshi),
(7) *Finance under Provisional Autonomy* (1940) (with M.H. Patel),
(8) *The Falling Rupee* (1943),
(9) *The Financial Burden of the War on India* (1943),

(10) *Our Sterling Balances* (1948),
(11) *Economic Consequences of the Partition* (1948),
(12) *Economic Crisis—Rising Prices* and *Falling Production* (1948),
(13) *Economic Consequences of Divided India* (1950) (with C.R. Cirvante, J.M. Desai and P.R. Brahmananda),
(14) *Planning for a Shortage Economy* (1952) (with P.R. Brahmananda),
(15) *Economic Survey of Saurashtra* (1953),
(16) *Planning for an Expanding Economy* (1956) (with P.R. Brahmananda),
(17) *Poverty and Planning* (1966),
(18) *Devaluation—An Opportunity and a Challenge* (1967),
(19) *Growth with Stability—Techniques of Planning with Special Reference to Rural Development* (1977).

The following are the important economic ideas and policy proposals of Prof. Vakil.

More credit should be made available to farmers and small entrepreneurs. Resources must be effectively used so as to increase wealth or production of the country. Co-operatives must be streamlined and strengthened. Efficiency of the initiative of the entrepreneurs and labourers in public sector must improve. Foreign trade must help increase production. State trading in foodgrains must still improve food position.

Monopoly as understood in economics does not exist in India. The minimum need of the community must be met by increasing production. The congestion in urban areas must be reduced. Land reforms must be hastened. The consumers suffer from high prices of manufactured goods and do not have satisfaction of quality. The producers enjoy the advantages of monopoly without any efforts on their part.

It is large-scale production which makes it possible to produce quality goods at a cheaper rate. The falling value of money will raise cost of production passing on the burden to the consumer. The quality and prices of our goods must be comparable with those prevailing in other countries in order to have success in international market.

For economic independence exports are a vital necessity. The industrial worker should receive his due share so that he may do adequate work. Disciplined hard work is the first essential for bringing about an economic and social revolution in the country. What is wanted in the country is an economic awareness, hard work, discipline and patriotism.

It is a naive thinking that economists cannot agree on anything. Did not 30 Indian economists come together in 1943 and issued a manifesto pointing out the dangers of inflation?

The root cause of inflationary situation is the tendency of large public expenditure in excess of genuine resources. If inflation is not

controlled in time, the economy will be subject to severe strains. Inflation is a form of regressive taxation. It may be compared to a thief. The thief steals wealth in the dark whereas inflation robs in the day light. It is possible to catch a thief but not inflation.

Poverty can be removed by consolidating land holdings, revising land revenue, developing banking, improving labour conditions and through mass education.

Prof. Vakil along with Brahmananda advocated in 1956 a theoretical model called Wage Goods Model according to which shortage of wage-goods is the main inhibiting factor and, therefore, expansion of consumption goods sector is of strategic significance. His significant concepts are "consumption goods multiplicr" and "employable unit". He held that heavy industries Model (i.c. Mahalanobis Model) with inflationary finance resulted in unfortunate consequences for the country with increase in poverty and unemployment as well as a continuous state of inflation which added to the misery of the people. Progress in rural areas imposed from above or done by others is not likely to have permanent effects. The people themselves should feel the urge. Human factor in rural development is most important.

C.N. Vakil, India's foremost economist died at an advanced age of 84 years, in Bombay, on October 26, 1979.

Compiler

VALUATION (*Theory of value)

The process whereby we calculate the equivalent in some measure of value of a physical quantity of the valued objects.

K.E. Boulding

VALUATION COEFFICIENT (*Theory of value)

The ratio between the value of something expressed in units of the measure of value—(dollars)—and the quantity expressed in some physical terms, of the thing which is valued.

K.E. Boulding

VALUATION RESERVES (*Monetary theory)

An amount deducted by a creditor from the book value of debts due to him, in the expectation that some of them are likely to be defaulted.

W.W. Haines

VALUE (*Theory of value)

It may mean valuc-in-use or value-in-exchange. The latter is the correct meaning. Value in exchange means purchasing power of a commodity in terms of other goods.

K.K. Dewett

Value in exchange.

Frederic Benham

The power of a good to command other goods in peaceful and voluntary exchange.

A.L. Meyers

At least five different meanings of the term 'value' can be distinguished: (1) moral good, (2) aesthetic merit, (3) utility, (4) exchange value, and (5) ideal exchange value.

In economics, value is sometimes used to mean exchange value and sometimes to mean utility or value-in use.

A.K. Cairncross

The value of anything is the quantity of any other thing that would be given in exchange for the first thing.

Fairchild, Buck and Slesinger

The word value has two different meanings, and sometimes expresses the utility of some particular object and sometimes the power of purchasing other goods which the possession of that object conveys.

Adam Smith

Exchange value. The amount of the second thing which can be got at any place and time in exchange for the first.

Alfred Marshall

Economists have disputed for over a century—and are still disputing—about correct meaning of the term value. Happily the dispute has now lost most of its acerbity and seems on the point of being abandoned.

Knut Wicksell

VALUE-ADDED TAX (VAT) (*Public finance)

The VAT is a sales tax levied on the value-added to a product or service each time it changes hands.

Unlike a multi-stage turnover tax or excise duty, VAT is applied to the value of a product everytime it is sold in the process of production or distribution. It is assessed at each stage only on the increase in value acquired by the production since the last taxable transaction. It is the most productive form of sales tax employed in the developing countries.

VAT can be introduced as an alternative to excise duties or sales tax or corporate profit tax or even as a supplement to each or all of them.

Alak Ghosh

There are different interpretations of value-added-tax. The first, "consumption type" of VAT is primarily intended to fall upon ultimate consumption by reaching the sales of goods and services meant for consumption. It is also referred to as the capital exempting type of VAT. Next, 'net national income' and 'gross national product' types of VAT relate to the conventional concept of national income.

VAT may be defined as a tax to be paid by all sellers of goods and services other than those specifically exempted, on the basis of value added by their respective firms.

R.N. Tiwari

VAT is a measure of tax reform. It is suggested as an alternative to the existing system of indirect taxation.

At first VAT was suggested as an alternative to the general turnover tax with a view to overcome the deficiencies of the latter. France was the first country to introduce VAT in 1954. VAT now accounts for almost 50 per cent of France's total tax receipts. The U.K. adopted it in 1972. The U.S.A. selectively introduced it in 1973. Norway, Sweden, Brazil, Ecuador, Uruguay, Algeria, Morocco and Tunisia have recently adopted VAT by replacing the general turnover tax. In India The Central Excise Reorganisation Committee headed by Mr. A.K. Chanda recommended in 1968 a detailed study of the French model VAT.

Compiler

VALUE JUDGMENT (*Welfare economics)

An opinion about what to be done, nn opinion which by its nature is not capable of verification, can never be proved or disproved. This type of opnion is called a value-judgment because it is a judgment which springs from the general outlook and beliefs of the speaker which reflects his views on what ends are the more desirable and which therefore depends on his particular scale of values in the philosophical sense of the word "Values". A value-judgment usually contains the word 'ought' or 'should' or speaks of the 'right' course or the 'best' policy. Some value judgments are widely accepted. For example nearly everybody agrees that "the rich ought to be taxed more heavily than the poor". This is a value-judgment. It cannot be proved or disproved.

Frederic Benham

VALUE-IN-EXCHANGE (*Theory of value)

Price.

Compiler

VALUE-IN-USE (*Theory of value)

Utility.

The terms "value-in-exchange" and "value-in-use" were invented by Adam Smith.

Compiler

VALUE OF INVESTMENT (*Keynesian economics)

The value of increment of capital during any period.

J.M. Keynes

VALUE OF MONEY (*Monetary economics)

The power of money to purchase the things people want.

OR

The amount of things in general which will be given in exchange for a unit of money.

D.H. Robertson

Purchasing power of money. Reciprocal of the general level of prices.

Frederic Benham

Interest, the price paid for the use of money.

W.W. Haines

The quantity of other things in general that will be exchanged for one unit of money i.e. its purchasing power.

Fairchild, Buck and Slesinger

Purchasing power of money.

Irving Fisher

The capitalised value of the service rendered in the marginal exchange.

D. Kinley

The value of money is a most important as well as a most elusive concept in monetary economics. It is comparatively easy to say that the value of money is what it will buy. Lower the prices, higher is the value of money, but which prices ? Thus the phrase 'the value of money' without qualification is meaningless. There is an infinite number of different values of money according to the use to which it is put. To get over the difficulty the practical way is to establish certain standard values of money. Usually three standards are distinguished: wholesale value of money, retail value of money and labour value of money. The *wholesale value of money* is the value of money in buying all those commodities whose prices are quoted and recorded on public markets. *The retail value of money* is the value of money in buying the goods and services that the ordinary family consumes. *The labour value of money* is the value of money in hiring labour, which can be determined from the rate of wages payable for a day's work.

Geoffrey Crowther

The capacity of money to command goods in exchange for itself.

R. Kent

VALUE OF SERVICE PRINCIPLE (*Public finance)

A principle of taxation. It states: every individual should pay in form of taxes according to the worth of the services he has received from the Government.

Andley and Sundharam

VALUE OF TOTAL PRODUCT (*Marxian economics)

Sum of the three components viz., constant capital (c), variable capital (v) and surplus value (s).

G.M. Meier and R.E. Baldwin

VARIABLE (*Mathematical economics)

As opposed to 'constant', 'variable' is a symbol which assumes different values in a particular problem. A variable is usually denoted by the last letters of the alphabet: x, y, z etc.

A variable may be continuous or discrete.

G.S. Monga

A variable number is any number, an unspecified number from a certain given set of real numbers and it is always symbolised by a letter such as x, y or t.

R.G.D. Allen

VARIABLE CAPITAL (*Marxian economics)

The value of the labour power expended during the period.

G.M. Meier and R.E. Baldwin

Wage bill.

Karl Marx

VARIABLE COST (*Theory of value)

The costs (of a firm) that do vary with the size of its output.

Frederic Benham

The costs of the firm which are not fixed costs. These are the costs of all those factors of production whose amount can be altered in the short run. Such costs include for example, payments for wages, raw materials, fuel and power, transport and the like.

A.W. Stonier and D.C Hague

The costs that disappear if output ceases.

George Soul

Those costs which vary directly with output, rising as more is produced and falling as less is produced.

R.G. Lipsey

Alfred Marshall called variable costs, 'prime costs'.

Compiler

VARIABLE FACTORS (*Theory of value)

Factors of production which can be altered in the short-run.

R.G. Lipsey

VARIANCE (*Mathematical economics)

The variance of a set of numbers is the square of the standard deviation.

G.S. Monga

VAULT CASH (*Monetary theory)

Currency held by a bank, to meet the demands of its customers.

W.W. Haines

VEBLEN, THORSTEIN BUNDE (1857-1929) (*History of economic thought)

One of the most controversial but highly influential American economists and the one of the three founders of institutional economics (other two being W.C. Mitchell and J. Commons).

Veblen, like Karl Marx, was an iconoclast and a sweeping critic of orthodox economics. He always swam against the mainstream and sought to challenge and over-throw the traditional system of thought and replace them with his own particular version of economic reality. He criticised almost everything – classical economics, neo-classical economics, Austrian economics, Historical economics etc. He rejected the ideal of economic man as one who maximises satisfaction. He described him as a "lightening calculator of pleasures and pains." According to Veblen, modern man indulges in "conspicuous consumption", "conspicuous leisure", "conspicuous waste", "vicarious consumption", "pecuniary emulation", "ostentatious display", "absentee ownership", discretionary control" etc. The above are a just a few of Veblen's famous terms that have passed into the English language. Veblen also rejected the orthodox figure of the efficient and competitive businessman. Veblenesque businessman is ignorant of industrial process and is wholly engaged in pecuniary manipulations and "capitalistic sabotage."

Veblen maintains that life in a modern society is the result of a conflict between "pecuniary employments" and "industrial employments" or between "business enterprise" and "the machine process" or between "vendibility" and "serviceability" or between making money and making goods or between acquisition and production of physical goods. He avers

that there is a class struggle under capitalism, not between capitalists and proletarians but between businessmen and engineers.

Veblen thoroughly dissented from the proposition of neoclassical welfare economics that a perfectly competitive economy tends to optimum results. Economics ought to be, Veblen contended, an evolutionary science i.e. an inquiry into the genesis and development of economic institutions. The economic system should be viewed as a "cumulative unfolding process" and not a "self-balancing mechanism". He defined (economic) institutions as a complex of habits of thought and conventional behaviour. What he disliked most about the orthodox economics was its underlying hedonistic and atomistic conception of human nature.

Veblen all the time attacked his rich fellow Americans who indulged in extravagant expenditure on luxury goods thereby vulgarly displaying their wealth. His blistering criticism has earned for him along with Henry George (another American economist) the title of "the bad boy of American economics."

Veblen was influenced by Charles Darwin and seldom disagreed with Karl Marx. While W.C. Mitchell (1874-1948) was his great student and admirer, Kenneth Galbraith is the modern Veblen. J.A. Schumpeter is another illustrious follower of Veblen.

Controversial, irreverent, bearded, bespectacled, oddly dressed, aloof, skeptical, phrase-making Veblen who spoke 26 languages (!) was born of Norwegian immigrant parents Thomas Anderson and Kari Bunde Veblen in Wisconsin on July 30, 1857 and was brought up on a farm in Minnesota as one of a family of nine children. In 1880 he graduated from the Carleton College where he studied political economy under J.B. Clark. In 1884, he took doctorate degree from Yale University on *Ethical Grounds of a Doctrine of Retribution*. His efforts to find jobs at the university of Iowa and St. Olaf's failed and he remained unemployed for seven years. When Prof. Laughlin joined the newly started University of Chicago, as the Head of the Department, he took Veblen there. After teaching there for many years, in 1900 Veblen was promoted as assistant professor of political economy. On account of his eccentricities, he never rose higher than Assistant Professor. After Chicago, Veblen taught at Stanford from 1906 to 1909, at the University of Missouri from 1911 to 1918 and at the New School of Social Research, New York from 1919 to 1922. He also held a minor Government post during World War I. He was a perpetual 'wanderer'.

Veblen who looked at the culture of his time with distrust, wrote ten books and numerous articles. His first and most famous book is *The Theory of Leisure Class* (1899) which he wrote at the age of 42. His other works are:

(2) *The Theory of Business Enterprise* (1904),
(3) *The Instinct of Workmanship and the State of Industrial Arts* (1914),

(4) *Imperial Germany and the Industrial Revolution*,
(5) *The Vested Interests and the State of the Industrial Arts* (1919),
(6) *The Place of Science in Modern Civilization* (1919),
(7) *The Engineer and the Price System* (1921),
(8) *Absentee Ownership and Business Enterprise in Recent Times* (1923),
(9) *Why is Economics not an Evolutionary Science?*
(10) *Essays in Our Changing Order* (1934).

Besides, he edited the *Journal of Political Economy* for nearly 10 years.

Veblen, a radical economist breathed his last in California on August 3, 1929.

Compiler

VEBLENESQUE EFFECT (*Theory of value)

Also called "snob effect", or "bandwagon effect" it refers to interdependence between the individual preference functions.

Mark Blaug

VECTOR (*Mathematical economics)

A vector is a special type of matrix in which there is only one row or one column. It may be row vector or column vector.

G.S. Monga

VELOCITY OF CIRCULATION OF MONEY (*Monetary economics)

The average number of times a unit of money is spent during the period—say, a year-under consideration.

Frederic Benham

The rate at which the stock of money is turning over per year to consumate income transactions. More exactly, it may be called "income velocity".

P.A. Samuelson

The number of money transfers between individuals, business firms and others during a period of time including every transfer whether in connection with consumers' purchases, producers' purchases or financial transactions. It is denoted by letter 'v'.

G.N. Halm

The average turnover of money.

R. Mathur

The speed with which money moves through the economy.

W.W. Haines

The average number of times that each piece of money changes hand in the course of a year.

G. Crowther

More correctly, the payments velocity, it is the ratio of the total volume of payments to the total money stock.

K.E. Boulding

VELOCITY RESERVES (*Monetary economics)

A proposal that reserve requirements be based not only on deposits, but also on the velocity of their turnover.

W.W. Haines

VERTICAL COMBINATION (*Industrial economics)

An amalgamation of firms engaged at different stages in manufacture of the same product.

A. Beacham

Gathering under one management of the various processes necessary to turn out a finished good.

Fairchild, Buck and Slesinger

VERTICAL DISEQUILIBRIUM (OR MALADJUSTMENT) (*Industrial economics)

A disequilibrium in the structure of production between industries which are related to each other in a vertical order or in other words maladjustment between higher and lower stages of production.

Gottfried Von Haberler

VERTICAL INTEGRATION (*Industrial economics)

When several stages of production from the producing of raw materials down to the marketing of the final product are placed under a single organisation it is called vertical integration.

Raymond Bye

"The union of the successive stages or processes of manufacture of the finished article—beginning from raw materials, passing through manufacture to the finished product and distribution."

This type of combination brings together a number of industrial units which are on the different planes and which represent the successive stages within an industry.

S.C. Kuchhal

VICE (*Demography)

It includes promiscuous intercourse, unnatural passions, violation of the marriage bed, and improper arts to conceal the consequences of irregular connexions.

T.R. Malthus

VICIOUS CIRCLE OF POVERTY (*Economics of development)

The phrase implies a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty. Hence there is a trite proposition: "A country is poor because it is poor."

Ragnar Nurkse

The circle is thus:

Market imperfections: underdevelopment, backwardness→low productivity→low real income→low savings→low investment→capital deficiency→market imperfections.

G.M. Meier and R.E. Baldwin

VINER, JACOB (1892-1970) (*History of economic thought)

Internationally reputed Canadian born American economist.

Born in Montreal, Viner—a specialist in international economics —was educated at Mc Gill and Harvard. He taught at Chicago and Princeton and served several terms in the American Government. He was the president of the American Economic Association and the recipient of 12 honarary degrees, a special award from the American Council of Learned Societies and the A.E.A. Viner—Professor Emeritus of Economics at Princeton—was the recipient of the highest honour, the Francis A. Walker Medal.

Viner's influential publications are:

(1) *Canada's Balance of International Indebtedness, 1900-1913* (1924),
(2) *Studies in the Theory of International Trade and Economic Development* (1937),
(3) *The Long View and the Short* (1939),
(4) *International Economics* (1941),
(5) *The Customs Union Issue* (1953).

Regarding the question whether the Most Favoured Nation Clause permits anti-dumping duties, Viner after a long discussion, comes to the conclusion that, unless the country is stated, one contracting party has not the right to impose antidumping duties upon the goods of the other contracting party to a Most Favoured Nation Agreement unless it imposes them also upon imports from other countries. This Vinerian view is supported by the practical consideration that experience shows countries to be very ready to seize upon the pretext of dumping and that proofs and counterproofs are often difficult to produce.

Viner made a pioneering study of the customs union. He demonstrated that the conclusion that customs unions are a step towards free

trade; therefore they will augment welfare even though they might not maximize it, was untenable, instead he introduced the key concepts of trade creation and tradc diversion.

In his "The Doctrine of Comparative Cost", Viner presented an excellent, very precise and definite treatment of the theory of comparative cost. He remarked that all economically tenable arguments for tariffs came from Free Traders. His thorough and ingenious study showed that terms of trade really played the role it was expected to play according to the classical model.

According to Viner, relativism more often than not amounts to a kind of whitewashing with historical necessity. Viner has the reputation of having satisfactorily resolved the 20 year problem of decreasing cost industry.

Compiler

VISIBLE IMPORTS AND EXPORTS (*International economics)

The goods and the bullion for whose movement from one country to the other, the proper statistics are kept.

Rajnarain Mathur

VISVESWARAYA, MOKSAGUNDAM (1861-1962) (*History of economic thought)

Brilliant engineer-statesman of India.

Born on Septermber 15, 1861 in Mysore, M. Visveswaraya, graduated in engineering from the University of Bombay, winning the first place. He was appointed Assistant Engineer in the Bombay Public Works Department. In this capacity he was associated with a number of irrigation schemes. As Dewan of Mysore, he demonstrated his skill as a builder and administrator. He is the maker of modern Mysore. He constructed the Krishnaraj Sagar and Kannambadi dams, built new roads, started numerous factories and installed Bhadravati Steel Works (MISL), founded the All-India Manufacturs' Organisation. In 1955 he received the highest national award of Bharat Ratna.

Visveswaraya, the architect of industrial civilization of India, originated the idea of economic planning in the country through his *Planned Economy for India* (1934). He favoured mixed economy.

M. Visveswaraya, one of the greatest sons of India breathed his last at the age of nearly 101 years on April 14, 1962.

Compiler

VISVESWARAYA PLAN (*Economics of planning)

Before the commencement of Five-Year Plans in India, various plans were submitted, viz., Visveswaraya plan (1934), Bombay plan (1944), People's plan and Gandhian plan. The Visveswaraya plan which laid the foundation of economic planning in India visualised five-fold increase of

industrial production in 10 years and 20 per cent decline in population during the same period. It estimated that a comprehensive programme of development comprising a 10 year plan for the whole of India and five-year plans for the provinces necessitated a capital expenditure of Rs. 500 crores and a recurrent annual expenditure of Rs. 10 crores.

Compiler

VOLUME OF PRODUCTION (*Theory of value)

The size of national output. It is measured not at actual prices but at constant prices.

Frederic Benham

Amount produced at home − exports + imports.

Gottfried Von Haberler

VOLUNTARY ARBITRATION (*Economics of labour)

Where the parties themselves agree to submit their differences to the decision of a third person or board to accept the arbitration award as final and binding the procedure is known as voluntary arbitration.

R.A. Lester

VOLUNTARY SAVING (*Monetary economics)

As opposed to forced saving it means ordinary saving.

Compiler

VOLUNTARY SOCIALISTS (*History of economic thought)

Owen, Fourier and Louis Blanc. They claim substitution of voluntary co-operation for personal interest.

C. Gide and C. Rist

VOLUNTARY UNEMPLOYMENT (*Economics of labour)

A type of unemployment which exists when potential workers are unwilling to accept the going wage or wages slightly less than the going wage. Workers on strike, 'idle rich', 'idle poor' are the examples of voluntary unemployment.

Compiler

WACHHA, DINSHAW EDULJI (1844-1937) (*History of economic thought)

A noted Indian businessman-turned-nationalist-turned economic thinker.

Sir Wachha who was educated at Bombay, was the president of the Indian National Congress in 1901. His economic writings are contained in *Speeches and Writings of Sir D.E. Wachha, Indian Railway Finance*

(1912), *Indian Currency Commission* (1913), *Four Papers on Commerce and Statistics,* (1915) and *Agricultural Banks in India* (1916) are some of his pamphlets.

According to him famines occurred on account of low purchasing power of the people. He asserted, "Economics dominates all human action and pervades the whole domain of human ethics", and, therefore he urged upon "the educated classes of India to be thoroughly conversant with statistics and economics". He strongly felt that a sound training in economics and commerce was necessary for the future development of India. He recommended the establishment of agricultural banks to supplement the co-operative societies.

Compiler

WADIA, P.A. (*History of economic thought)

A reputed Indian economist. He served as professor of politics and economics in Wilson College, Bombay. His chief publications are:

(1) *Wealth of India* (1925),
(2) *Money and Money Market* (1926),
(3) *Our Economic Problem* (1943),
(4) *Bombay Plan—A Criticism,*
(5) *The Five-Year Plan—A Criticism* (1952).

He wrote the first three books jointly with G.N. Joshi and the latter two with Prof. K.T. Merchant, India's another leading economist.

Compiler

WAGE (*Theory of value)

A wage may be defined as a sum of money paid under contract by an employer to a worker in exchange for services rendered.

Frederic Benham

In the micro sense 'wages' is the payment made to a worker by a particular firm. In the macro context, wages are the part of the national income which goes to those who work with their brawn or brain, whether independently or for an employer.

Wage may take the form of salary, fees, commission or brokerage.

P.N. Chopra

Wages are the payments which are made for the services of labour. The term may refer to price wage, time wage, money wage, real wage etc. But normally in all economic discussions, the term is used to mean the money wage i.e. the rate per hour, or per day, or per week or per month etc.

K.P.M. Sundharam and M.C. Vaish

WAGE DRIFT (*Economics of labour)

Wages can be looked at from so many different points of view (e.g. employees view wages simply as earnings; on the other hand the employers regard them as a rate of pay). Hence different measures of wages should follow divergent paths. There has been a spread between the trend in rates and earnings. This spread is often referred to as wage drift.

Sir Alec Cairncross

WAGE FREEZE (*Economics of labour)

Holding wages at their existing level for a period of time.

Compiler

WAGE GOODS (*Theory of value)

Commodities which are purchased by the wages of wage-earners. They are all not consumer goods, but those necessities and conventional luxuries only which are the real equivalent of wages.

The concept of wage-goods (and non-wage goods) was used by A.C. Pigou in his *Theory of Employment* to denote the goods which determin e the value of real wages as distinct from money wages.

W. Rosenberg

WAGE-GOODS STRATEGY OF DEVELOPMENT (*Economics of planning)

A growth model put forward by professors C.N. Vakil and P.R. Brahmananda of Bombay University. It was advanced in March, 1956 and was elaborated in their *Planning for an Expanding Economy* published in July, 1956 as an alternative to Mahalanobis model which became the basis of India's Second Five-Year Plan (1956-61).

Compiler

The plan frame evolved by the late Prof. P.C. Mahalanobis was a heavy industries model with the help of Russian technicians. The wage-goods model identified disguised unemployment jointly with acute poverty as the chief economic problem of the country. The solution to both was to be sought through priority for building wage-goods in the economy. Unemployment was due to insufficient capacity to supply wage goods at a reasonable real wage for all the employed when they were put to work say mostly in new investment activities......The wage goods gap was the reason for unemployment and poverty......The Indian economy was deficient in the stock of circulating capitals, which primarily consist of wage-goods. New fixed capitals could be constructed if, by making good the wage-goods gap, the unemployed could be transferred to new investment activities. The model thus visualises, through the priority for wage-goods, a possibility of the initiation of a virtuous, cumulative, circle of development through more income, more employment, more savings, more income, etc.

P.R. Brahmananda

WAGE-OFFER CURVE (*Theory of value)

A curve which shows the different amounts of hours of work which a worker will offer or work for different amounts of wage rates.

M.C. Vaish and K.P.M. Sundharom

WAGE RATE (*Theory of value)

The amount paid to the worker per hour or per normal working day or for performing a certain job.

Maurice Dobb

WAGE UNIT (*Keynesian economics)

The amount of money received by a labourer of ordinary skill in one hour of working time.

Dudley Dillard

The money wage received by a representative unit of labour. It resembles "labour command measure" of Smith and Malthus.

A.K. Dasgupto

WAGES FUND (*Theory of value)

Fund destined for the payment of wages.

Adam Smith

WAGES FUND THEORY (*Theory of value)

The theory may be stated thus: wages depend upon the demand and supply of labour, or as it is often expressed on the proportion between population and capital. By population here is meant the number only of the labouring class or rather of those who work for hire, and by capital, only circulating capital and not even the whole of that but the part which is expended on the direct purchase of labour.

John Stuart Mill

It is associated with the name of J.S. Mill, but it was formulated in some form or other by all the writers of the English classical school. Mill supposed that wages depended on the proportion between population and capital.

Briggs and Jordan

It says "part of the capital stock" (Physical stock of good) is used as wages to support labour during the period it takes to produce commodities.

W.J. Fellner

This doctrine was first systematically formulated by J.S. Mill though John Ramsay McCulloch, is its so-called founder,

According to the wages fund doctrine, "wages depend upon the number of the labouring classes who work for hire and the aggregate of what may be called the wages fund which consists of that part of circulating capital which is expended in the direct hire of labour."

Compiler

WAGES THEORY OF PROFITS (*Theory of value)

It was propounded by F.W. Taussig of America.

Compiler

Profits are best regarded as simply a form of wages. . . . Profit is the wage of entrepreneur which accrues to him on account of his special ability.

F.W. Taussig

WAITING (*Theory of value)

Going without.

D.H. Robertson

Postponement of enjoyment.

Alfred Marshall

Marshallian term 'waiting' is simply a neutral, synonym for Seniorian term 'abstinence'.

Mark Blaug

WAITING THEORY OF INTEREST (*Theory of value)

Alfred Marshall substituted the term 'waiting' for Senior's term "abstinence" and said "Interest is the reward for waiting, i.e. postponement of enjoyment."

Compiler

WALKER, FRANCIS AMASSA (1840-97) (*History of economic thought)

A leading American economist and the first President of the American Economic Association founded in 1885 (for seven years). His best known book *Political Economy* (1883) was widely used as the text book at that time. His other books were (1) *The Wages Question* (1876), (2) *Money* (1878), (3) *Land and Its Rent* (1883), and (4) *International Bimetallism* (1896). Walker also served as the President of M.I.T. from 1881 until his demise, and as the President of the American Statistical Association for 15 years.

Walker was the bitterest critic of wages fund doctrine. He replaced that theory by expounding residual claimant theory of wages which he stated thus: "wages equal the product of industry minus the three parts (i.e. rent, interest and profit) already determined in their nature and amount." He wrote "Political Economy or Economics is the name of that body of knowledge which relates to wealth; it has to do with no other subject, whatever, than wealth."

F.A. Walker was Brigadier-General and Superintendent of Census. He graduated in 1860 from the Amherst College and served as Professor of Political Economy from 1872 to 1881 in the Sheffield Scientific School, Yale University.

Compiler

WALRAS, MARIE ESPRIT LEON (1834-1910) (*History of economic thought)

A very great neo-classical mathematical French-Swiss economist of Lausanne University, comparable to titans of natural sciences such as Laplace, Newton and Lagrange. He is the greatest of pure theorists. He is essentially economists' economist rather than of the general reader or the politician.

In 1874, Walras independently enunciated the revolutionary marginal utility theory in his *Elements d'Economie Politique Pure* which is in J.A. Schumpeter's words, the prolegomenon or Magna Carta of modern economics, and became a co-inventor of marginal revolution or founder of marginal utility school, along with Jevons and Menger. The theory of marginal utility solved a number of difficulties inherent in a cost or labour approach to value theory (e.g. the paradox of value) and offered a stepping stone to another epoch-making theory of general equilibrium formulated in essentially mathematical terms.

Walras developed in 1879 the general equilibrium analysis which is so important that nearly all economics now-a-days is Walrasian economics. Certainly modern theories of money, of international trade, of employment and of economic growth are general equilibrium theories in simplified form. Also the "new" welfare economics is an outgrowth of general equilibrium theory. Even Marshallian partial equilibrium analysis is now-a-days handled in an explicit general equilibrium setting.

Walras was every inch a mathematician and as such he felt that non-mathematical economists had no future in theoretical economics. He was confident that one day "mathematical economics will rank with the mathematical sciences of astronomy and mechanics and thus justice will be done to our work."

Walras wrote, "pure economics is in essence, the theory of the determination of prices under a hypothetical regime of perfectly free competition." He produced influential theory of capital. He was the first to clearly advance the fundamental distinction between stocks of resources and the service-income flows yielded by them. He defined all given resources as "fixed capital i.e. capital in general namely all forms of social wealth which are not used up at all or are used up only after a lapse of time." He defined circulating capital or income as "all non-durable goods, all forms of social wealth which are used up immediately." In his *Elements* Walras showed within 40 pages how the rate of interest is

determined whereas Bohm Bawerk and Knut Wicksell took thousands of pages to show the determination of interest rate. Verily the Walrasian theory is formally impeccable.

Walras, the greatest pure economist, was like J.S. Mill, J.M. Keynes and J.M. Clark, a son of an economist—Auguste Walras (1801-66). Born on December 16, 1834 at Evareaux (France), Walras received a degree in literature at the age of 17 years. He came to economics through his father's influence, after some ventures in engineering, journalism, and novel writing. Because he did not have the necessary formal preparation in the field, he could not get a teaching position in native France and for several years, he held a hotch-potch of posts such as railway clerk, bank director, editor, lecturer and journalist, when his economic ideas matured. At last in 1870, he became professor of economics in the faculty of law in the University of Lausanne, Switzerland. After four years he brought out his magnum opus *Elements of Pure Economics* (1871). The book was translated into English only in 1954. Walras retired as professor in 1892 and died on January 4, 1910.

Walras's other books are:

(1) *Theory of Exchange* (1874),
(2) *Theory of Production* (1877),
(3) *Mathematical Theory of Social Wealth* (1883),
(4) *Studies in Social Economics* (1896),
(5) *Studies in Applied Economics* (1898).

Walras used the term scarcity (rarete') equivalent to marginal utility; for the first time posed the problem of the existence of general equilibrium and essentially solved it; gave Say's identity; drew linear marginal utility functions; gave for the first time really novel big idea of the interdependence of all prices and quantities; advocated the cash balance theory of money; suggested state intervention in isolated cases.

Walrasian theory of economic equilibrium is, according to Schumpeter, his claim to immortality.

Compiler

WANT (*Theory of value)

Desire, need, requirement, end.

Compiler

WANT OF COINCIDENCE IN POINT OF TIME (*Monetary economics)

A situation wherein the parties to the transaction agree to part with each other's commodity but not at the same time.

Compiler

WANT OF DOUBLE COINCIDENCE OF WANTS (*Monetary economics)

A situation in a barter system in which the two parties do not have the mutually required articles.

Compiler

WAR THEORY OF BUSINESS CYCLES (*Business cycles)

This theory attributes cycles to war; wars cause prosperity followed by post-war depression. Even a depression occurring a decade later can still be blamed on the war. Thus the depression which started in 1929 is sometimes labelled "the second post-world war-I depression".

Anatol Murad

WARD, BARBARA (1914-1981) (*History of economic thought)

An internationally reputed British economist. Dame Barbara Ward, the 1980 recipient of Jawaharlal Nehru Memorial Award for international understanding and one time economic adviser to the late President John F. Kennedy and professor of International Economic Development at Columbia University, U.S.A. was born on 23rd May, 1914 to die of cancer on May 31, 1981. She virtually served as India's economic ambassador to the West. She was among the first who perceived the significance of the Marshall Aid for reconstruction of war ravaged Europe.

Deeply interested in Asian programmes of development, Barbara was instrumental in placing India in juxtaposition with China in respect of the approach to planning and development. She exerted considerable influence on the policies of the World Bank, especially in bringing about the shift in emphasis to the poor in the under-developed nations.

Ward's more than a dozen publications include *International Shareout*, *Faith and Freedom*, *Challenge to the West*, *Interplay of East and West*, *Five Ideas*, *India and the West*, *The Rich Nations and the Poor Nations*, and *Nationalism and Ideology*.

Compiler

WAREHOUSE-KEEPER'S CERTIFICATE (*Monetary economics)

A document issued by a ware-house-keeper stating that certain goods are held in the warehouse at the disposal of the person named.

A.K. Basu

WARRANTED RATE OF GROWTH (*Economics of development)

A concept introduced by R.F. Harrod.

Compiler

That overall rate of advance which, if executed, will leave entrepreneurs in a state of mind in which they are prepared to carry on a similar advance.

R.F. Harrod

Prof. Harrod in his *Towards a Dynamic Economics* distinguished between actual rate of growth (G), warranted rate of growth (Gw) and natural rate of growth (Gn). The warranted rate of growth is also called full capacity rate of growth of income.

B.N. Ghosh

Given the level of investment, the warranted rate of growth represents that growth of income which will make entrepreneurs satisfied with actual investment.

R.D. Gupta

WATERSHED (*Agricultural economics)

The term is generally taken to mean the area of land that drains into an individual stream or lake.

Compiler

WEALTH (*Economics of development)

Wealth consists of all potentially exchangeable means of satisfying human wants.

J.M. Keynes

Anything which possesses the attributes of utility, scarcity and transferability or marketability.

OR

A fund or stock of resources or assets owned by an individual or the community.

K.K. Dewett

The sum total of all physical goods of value.

W.W. Haines

All useful material things owned by human beings.

Fairchild, Buck and Slesinger

All those things and those things only which are transferable, are limited in supply and are directly or indirectly productive of pleasure or preventive of pain; or to use an equivalent expression, which are susceptible of exchange or to use a third equivalent expression which have value.

Nassau Senior

All economic goods, including the public goods.

F.W. Taussig

Desirable things; that is things which satisfy human wants directly or indirectly.

Alfred Marshall

Total value of things possessed by a person or group of persons.

E.T. Nevin

In macro sense wealth might be taken to include all natural, capital and human resources of a country, which may be called the wealth of a nation. In micro sense it may be said to refer to all belongings of a person.

Compiler

WEALTH OF NATIONS (*History of economic thought)

Adam Smith's famous book the full title of which is *An Inquiry into the Nature and Causes of the Wealth of Nations.* Published in 1776, it saw five editions in the life time of Smith, the last being revised edition in 1784. It contains an introduction of three pages, five books and an appendix. Book I contains the core of Smith's theory of value and distribution. Book II is concerned with capital accumulation as the mainspring of economic progress. Book III deals with the different progress of opulence in different nations; Book IV makes an evaluation of mercantilism and Physiocracy and Book V, covering one third of the total volume is a treaties on public finance. The book is translated into all major languages of the World.

The book has been greatly admired all over the world. The following are some of the testimonials.

Compiler

The first and the most important book.

Eric Roll

The most valuable contribution ever made by a single individual to determine the true principles of Government.

Buckle

It has exercised a power aud beneficent influence on the public opinion and legislation of the civilized world which has never been attained by any other work.

M'Culloch

It is not only founded but also almost completed political economy.

Lord Mahon

Read it as it deserves to be read, and you will perceive that before it no political economy existed.

J.B. Say

The great seminal work. It became the foundation of classical economics and set forth the problems that were to occupy most economists for the next century. The book saw the problems of market economy and it saw it in terms of public policy and purpose. It is a great sprawling work full of insight and interest. It remains one of the most influential documents ever written.

Richard T. Gill

The first full scale treatise on economics. Economic development is its principal subject.

Mark Blaug

It possesses a literary charm. It provides a starting point for all economists.

J.A. Schumpeter

It is a groundwork for modern economics.

P.C. Newman

It is a programme of action—not a blueprint for utopia.

R.L. Heilbroner

The life of almost everyone in England—perhaps of everyone is different and better in consequence of the *Wealth of Nations*. No other form of political philosophy has ever had one thousandth part of the influence on us.

W. Bagehot

WEALTH TAX (*Public finance)

An annual tax on the net wealth of an individual, after allowing a certain limit of exemption.

In India the wealth tax was introduced on April 1, 1957 by the then Finance Minister Mr. T.T. Krishnamachari on the recommendation of Cambridge economist Prof. Nicholas Kaldor.

Compiler

WEAR AND TEAR (*Industrial economics)

Depreciation.

Compiler

WEBB, SYDNEY AND BEATRICE (*1859-1947) (1858-1943) (*History of economic thought)

Mr. and Mrs. Webb of England were the formidable socialist economists. They founded the prestigious London School of Economics. They also founded the Fabian Society in 1884 and *New Statesman* (1913) and renovated Poor Laws. They repudiated Karl Marx's labour theory of value; suggested collective ownership of means of production; accepted Ricardo's rent theory as the cornerstone of collective economy and recommended confiscation of rent by the State. They have the credit of being called the progenitors of true trade unionism. Their works include:

(1) *History of Trade Unionism* (1894),
(2) *Industrial Democracy* (1897),
(3) *Prevention of Destitution* (1911),
(4) *English Local Government*,
(5) *Soviet Communism*,
(6) *English Poor Laws History* (1927-29)

Sydney Webb lambasted the notion that trade unions could not succeed in securing an increase in wages in excess of marginal product of labour in one industry except at the expense of labourers in some other industry. He recommended public works expenditure to attack unemployment.

Compiler

WEBER, MAX (1864-1920) (*History of economic thought)

A German economic sociologist and a member of German Historical School. He tried to settle the endless logomachy on the role of value judgment. He was of the opinion that "it was impossible to deduce prescriptions from descriptions or norms from hypotheses." In other words, according to him economics must be a normative and positive science at the same time.

Compiler

WEIGHTED MARGINAL UTILITY (*Theory of value)

The increase in the total utility of the consumer which results from a unit increase in the expenditure on the commodity in question.

K.E. Boulding

WEIGHTS (*Statistics)

Figures which indicate the relative importance of various items.

D.L. Elhance

WELFARE (*Welfare economics)

The general condition of well-being of a person or group of persons, including their mental and moral as well as their meterial well-being.

E.T. Nevin

WELFARE ECONOMICS (*Welfare economics)

An enquiry into the criteria which may be used to judge the efficiency with which an economic system allocates resources between different uses.

Miles Fleming

As opposed to "pure economics" welfare economics is concerned not only with the position of economic magnitudes (prices, outputs etc.) but also with the questions involving value judgments. "Is society richer or poorer, better off or worse off as a result of any given set of changes in the quantities of economic universe ?"

P.W. Bell and M.P. Todaro

That branch of economic analysis which is concerned primarily with the establishment of criteria that can provide a positive basis for adopting policies which are likely to maximise 'social welfare'.

Syed Fakharul Hasan

Economics which draws conclusions from ethically coloured principles of conduct.

W.J. Fellner

The branch of economic science that attempts to establish and apply criteria of propriety to economic policies.

Melvin W. Reder

Welfare economics is that part of the general body of economic theory which is concerned primarily with policy.

Tibor Scitovsky

It is commonly believed that welfare economics began with Jeremy Bentham's utilitarian economics. His dictum, "the greatest happiness of the greatest number" is supposed to lie at the root of the welfare economics. Hla Myint traces the development of welfare economics from Adam Smith onwards. In the opinion of J.A. Schumpeter, welfare economics started from Alfred Marshall. Since then, he says, it is developed by Henry Clay, R.G. Hawtrey, F.Y. Edgeworth, J.A. Hobson, A.C. Pigou and Vilfredo Pareto. Prof. I.M.D. Little writes "we would prefer to say that welfare economics began with Pigou. Before that we had happiness Economics and before that wealth Economics." It is also said that after Bentham, Hobson was the first British economist to reconstruct economics on the welfare basis.

Endless is the controversy about the parcentage of welfare economics. However, the fact is that A.C. Pigou is the father of welfare economics. It was he who popularised the use of the word 'welfare' in his great book *Economics of Welfare* published in 1920. He was the first economist to present a systematic study of the welfare economics. Pigou's (and Hobson's) welfare economics is termed as old or traditional welfare economics. The Pigovian economics is based upon the neo-classical assumptions of cardinal measurability of utility and interpersonal comparison of utility.

In 1909 there came "the most famous untranslated book in the history of economics." *Manuel d'economic Politique* from the pen of Italian economist Vilfredo Pareto. In that book he rejected both the aforesaid assumptions, and gave what is known as Pareto optimum (social optimum) which was value-free and based on ordinal utility assumption. (Pareto optimum is defined as a position from which it is impossible to improve anyone's welfare without impairing someone else's welfare). Since 1934 a vast literature relating to welfare economics has arisen on the basis of Paretian optimum. This welfare economics is called Paretian welfare economics or new (modern) welfare economics. The new welfare economics is developed, refined and sophisticated by a vast number of distinguished economists who include A.P. Lerner, J.R. Hicks, P.A. Samuelson, Hotelling, Oscar Lange, Bergson, Kenneth Arrow, Debrew,

Enrico Barone, Scitovsky, M.W. Reder, Tintner, K.E. Boulding, I.M.D. Little, Maurice Allaise, E.J. Mishan, F.M. Bator, J.dc.V. Graaff, and T.C. Koopmans. The new welfare economics as contrasted with Pigovian old welfare economics is developed principally in two ways: (1) one by Kaldor, Hicks and Scitovsky. This approach is called compensating payment, (2) the other called social welfare function is developed by Bergson and Samuelson.

Even the latest developments in welfare economics are found to be unsatisfactory. Welfare economics has, thus become one of the most intringuing and frustrating branches of the 20th century economic thought.

Compiler

WELFARE STATE (*Welfare economics)

A state which provides a minimum of economic security for all its citizens.

Frederic Benham

A state which provides for its citizens a wide range of social services education, health, employment, pensions 'in old' age and care of children. The primary purpose is to give citizens security. The state undertakes to help a citizen if he loses his ordinary source of income.

T.W. Kent

A community where state power is deliberately used to modify the normal play of economic forces so as to obtain a more equal distribution of income for every citizen, a basic minimum real income irrespective of the market value of his work and of his property.

Abraham

A compromise between the two extremes of communism on the one hand and unbridled individualism on the other.

D.L. Hobman

As opposed to police state, welfare state aims at not only the protection of the citizens but also the promotion of their economic welfare.

Compiler

WHOLESALE VALUE OF MONEY (*Monetary theory)

The value of money to a person who happens to be concerned only with those commodities that are traded in wholesale on a public market.

G. Crowther

WICKSELL, JOHAN GUSTAF KNUT (1851-1926) (*History of economics)

A great Swedish/Scandinavian economist of outstanding achievement. Wicksell who has been called "the economists' economist" is the founder of Swedish or Stockholm School of Economics and one of the founders marginal productivity theory.

Born in 1851, Wicksell graduated in philosophy and mathematics. After taking his second degree, he turned, rather quite late, his attention to economics. In 1895, he was awarded Ph.D. degree. In 1900 he was appointed Assistant Professor of Political Economy at the University of Lund. From 1904 to 1916, he held the chair in the same university.

Dr. Knut Wicksell who was born the same year as Bohm-Bawerk and Wieser, wrote the following important books: (all in German)

(1) *Uber Wert, Kapital and Rente* (1893) (*Value, Capital and Rent*),
(2) *Finanztheoretische Untersuchungen* (1896) (*Studies in Finance Theory*),
(3) *Geldzins und Güterpreise* (1891) (*Interest and Prices*),
(In the above mentioned three books Wicksell developed pure theory of value and distribution; applied that pure theory to special problems of public finance; and developed his theory concerning the relationship between the rates of interest and the general level of prices.),
(4) *Vorlesungen Über Nationalokonomie* (*Lectures on Political Economy*) published in two volumes in Sweden, Vol. I in 1901 and Vol II in 1906 (Prof. L. Robbins edited them in 1934 and 1935 respectively).

Wicksell who concerned himself with a number of problems that were to prove crucial later, distinguished between a natural rate of interest and a money rate of interest. When the natural rate was above the money rate, businessmen generally would earn greater profits through their increased capital investments and this would lead to expansion. On the contrary when the natural rate was below the money rate, there would be bad times all around. Lord Robbins observes: "His celebrated theory concerning the relations between money and natural rates of interest and movements in the general level of prices is probably Wicksell's most original contribution." His statement of the marginal productivity theory in the theory of production is one of the most satisfactory available." He made significant contribution to the theory of population. He was one of the first to systematically develop the concept of 'optimum population'. He reworked Bohm-Bawerk's capital theory and transformed it in an explicit marginal productivity theory. To him, utility was measurable. Wicksell integrated Austrian capital theory and Walrasian general equilibrium analysis. He also synthesized neo-classical monetary theory. He was always involved in public controversies by relentlessly advocating one unpopular cause after another. Unlike in the Keynesian system, in the system of Wicksell saving and investment are not equal.

Compiler

WICKSTEED, PHILIP H. (1844-1927) (*History of economic thought)

One of the world's greatest British economic theorists' Prof. Wicksteed's epoch making publications include:

(1) *Alphabet of Economic Science* (1889),

(2) *Essay on the Co-ordination of the Laws of Distribution* (1894),

(3) *Commonsense of Political Economy* (1910). This finest work of Wicksteed was formulated in 1870.

Wicksteed an utilitarian minister and fine classical scholar, introduced the most novel concept of reservation price; showed that "economics was not merely a matter of the market place or of financial dealings, but was one aspect of all human activity—namely the aspect of choice or the balancing of alternatives one against another where limited means have to be apportioned among competing ends" (Robbins); created the notion of 'economic man'; originated the ideas of homogenous production function and the distinction between diminishing returns to various proportions of factors and diminishing (or increasing) returns to scale; laid the foundation of celebrated scarcity definition of economics; advocated socialisation land; upheld the Malthusian theory of population; formulated the general marginal productivity theory of distribution; introduced the notion of "scale of preference"; discovered the product exhaustion theorem; and attacked Marxian economics.

Prof. Robbins observed "Wicksteed's *Commonsense of Political Economy* is the most exhaustive non-mathematical exposition of the technical and philosophical complications of the so-called marginal theory of pure economics which has appeared in any language."

Compiler

WIDENING PROCESS (*Industrial economics)

A process in which capital formulation grows *pari passu* with the increase in the output of final goods.

A.H. Hansen

WIESER, FRIEDRICH VON (1851-1926) (*History of economic thought)

A world famous Austrian neo-classical economist. He has the unique distinction of having introduced the celebrated concept of marginal utility (Grenznutzen) and developing the famous principle of alternative or opportunity cost. He formulated theory of imputation. Wieser "helped to clarify the relationship between the value of finished goods and factors of production and showed how the value of factors of production depended on the value of goods which they produced" (K. Boulding). He employed the term social economics.

Wieser, the son-in-law of Karl Menger, graduated from the University of Vienna in 1874; succeeded Menger to the chair of Political Economy in that university in 1903 and held the position till 1922; and worked as the Minister of commerce in the Austrian cabinet.

Wieser the marginalist wrote, among others, the following brilliant books:

(1) *Ursprung und die Hauptgesetze des Wirtschaftlichen Wertes* (1884),
(*The Origin and Principal Laws of Economic Value*)
(2) *Der Naturliche Wert* (1889)
(*The Natural Value*),
(3) *Theorie der Gesellschaftlichen Wirtschaft* (1914)
(*Theory of Social Economics*).

The name of Wieser—a member of Austrian School of Subjectivism—will remain unobliterated in the history of economic doctrines.

Compiler

WINDFALLS (*Theory of value)

Accretions to the real value of prople's property that are not foreseen by them and are not in any degree due to efforts made, intelligence exercised, risks borne or capital invested by them.

A.C. Pigou

The term "windfall profits" was used by Lord Keynes in his *Treatise* Vol. I. The term refers to profits which are not anticipated by the firms in the industry and which arise from sources entirely beyond the control of the firms. One of the commonest sources of windfalls is the advance in price of a product due to currency inflation.

Compiler

WINDOW-DRESSING (*Monetary economics)

A bank's practice in which the proportion of cash to deposits is shown more than what it actually is.

Frederic Benham

WORLD BANK (*International economics)

The popular name for the International Bank for Reconstruction and Development.

Compiler

WORKING CAPITAL (*Theory of value)

The amount of cash which a businessman uses in running his business.

K.K. Dewett

Circulating capital. It consists of materials and goods in process in different stages of extraction, fabrication, transportation and marketing.

G.N. Halm

Goods in process or in store.

D.H. Robertson

Goods in process, i.e., in course of preparation by cultivation or manufacture for use or consumption or in transport, or with merchants, dealers and retailers or awaiting the rotation of the seasons.

Lord Keynes

WORKING PARTNER (*Industrial economics)

A partner in a firm who takes an active or working part in the business of the firm.

Davar

WORKSHOP OF THE WORLD (*Economics of development)

Once England was known thus.

G.M. Meier and R.E. Baldwin

WYATT, JOHN (*Industrial economics)

Inventor of roller spinning (textile industry).

Compiler

X-EFFICIENCY (*Managerial economics)

It refers to the efficiency with which an entrepreneur uses the inputs, solves the organisational problems and performs his firm's activities at least cost.

Compiler

XENOPHON (440-355 B.C.) (*History of economic thought)

An ancient Greek agricultural writer. According to him "when husbandry flourishes, all the other arts are in good fettle; but whenever the land is compelled to lie waste, the other arts of landsmen and mariners alike well nigh perish." Alexander Gray writes, "His praise of agriculture is indeed of physiocratic excess. He applied division of labour to the kitchen in his *Cyropaedia.*"

Xenophon, a pupil of Socrates, wrote prophetically, "It is in peace that wealth is accumulated; it is in war that it is squandered."

Compiler

YOUNG, ALLYN (*History of economic thought)

A (noted) American economist of the twentieth century who took up the idea of a cumulative growth process involving expanding markets and increased diversion of labour in his 1928 celebrated article, "Increasing Returns and Economic Progress".

R.T. Gill

YESTERDAY (*Economics of development)

Previous period.

G.M. Meier and R.E. Baldwin

ZEMINDARI SYSTEM (*Agricultural economics)

The land tenure system in which land is owned by the landlord who holds responsible to the Government for the payment of land revenue.

A.B. Das and M.N. Chatterji

The system which was prevalent in India has been abolished.

Compiler

ZERO COST OF REPRODUCTION (*Theory of value)

No cost of replacement.

W.J. Fellner

ZERO INCOME ELASTICITY OF DEMAND (*Theory of value)

A situation in which a given increase in the money income of the consumer does not lead to any increase of the quantity demanded of the commodity.

Compiler

ZERO SUBSTITUTION ELASTICITY OF DEMAND (*Theory of value)

Where the two commodities are not substitutes to each other or where the two commodities are required to be used in a fixed proportion to get some satisfaction, the situation is referred to as zero substitution elasticity of demand.

Compiler

ADDENDA

ADISESHAIAH, MALCOLM S. (b. 1910) (*History of economic thought)

A renowned contemporary Indian economist who has significantly contributed to developmental programmes in the developing countries and advancement of popular education.

Dr. Adiseshaiah who was awarded the degree of Doctor of Laws Honoris causa by the Carleton University, Ottawa, Canada, in 1975 and Doctorate by Andhra University, has worked as Rajya Sabha member and Vice-Chancellor of Madras University. He was the president of the Indian Economic Association in 1974. At present he is the Director of Institute of Development Studies, Madras.

Compiler

BRANDT COMMISSION (*Economics of development)

A private commission appointed under the chairmanship of the 1971 winner of the Nobel prize for peace and the former West German Chancellor, Mr. Willy Brandt, submitted its first report *North-South: A Programme for Survival* in 1979 and the second and the latest report in 1983. It says, among others, that the North (i.e. the developed countries) must come forward to accept the interdependence thesis and translate the same in concrete terms which in turn will improve the bargaining power of the South. Similarly, the South (the underdeveloped countries) should make a beginning by greater co-operation within the South.

Mr. L. K. Jha, the Economic Administration Reforms Committee Chairman and the former Governor of the Reserve Bank of India, is a member of the famous Brandt Commission which has done an excellent job in promoting the world economic development particularly the development of the Third World Countries.

Compiler

DEBREU, GERARD (b. 1921) (*History of economic thought)

The French-born American winner of the 1983 Alfred memorial Nobel Prize for economics and one of the world's foremost mathematical economists.

While announcing the 1.5 million crown ($ 190,000) prize on October 17, 1983 the Royal Swedish Academy of Sciences, Stockholm, which chooses the winners of economics prize, in its one paragraph citation said that Debreu won the prize for having incorporated new analytical methods

into economic theory and for his rigorous refermulation of the theory of general equilibrium. Professor Assar Lindback, the Chairman of the Academy said that Debreu dealt in basic research on equilibrium in a market economy. He also said, "Debreu devised new mathematical methods that are more advanced and yet more simple than previous ones." The Academy cited Debreu for abstract mathematical models that confirmed Adam Smith's "Theory of General Equilibrium" in which prices, supply and demand tend toward a balance within a free market economy. The theory has been a foundation for capitalism from early laissez-faire systems to more recent efforts seeking to reduce government influence in the market place. According to the Academy, Debreu's foremost contribution is for work that has a "profound and unsurpassed effect on the choice of methods and analytical techniques in economics." The Royal Swedish Academy said, Debreu has also studied the market's use of resources, clarifying the influence of the market price on the allocation of resources and has made significant contributions to the theory of consumer behaviour.

Nobel officials pointed out that the computer models based on Debreu's work are used by the World Bank and similar agencies for trends in national economies and world markets.

British economics professor Stephen Littlechild said Debreu was a pioneer in mathematical economics. Ever since the time of 18th century economist Adam Smith, he said, "It has been the theory that if you leave the economy to itself and don't interfere, then it will come to an equilibrium between supply and demand and that this will be efficient—that government doesn't need to intervene. Debreu put the theory into a mathematical model and proved it formally.

Dr. Debreu tells that his research seeks to set up abstract models to give an account of the way the many agents (consumers and producers) of which an economy is composed make decisions, how those decisions are consistent with each other and how they form an equilibrium for the economic system.

Debreu's countribution to the substantive development of economics is highlighted by his widely known role in modern general equilibrium theory and the example set by the pursuit of mathematical purity has done much to bring about the establishment of high standards for mathematical work. Debreu's master work is *Theory of Value* (1959). This prize winning work expanded on a mathematical model designed in the early 1950's by Debreu and Kenneth Arrow, who won the 1972 Nobel prize. His latest (1983) work is *Mathematical Economics* which comprises his twenty selected papers.

Born in Calais, France, on July 4, 1921, Gerard Debreu received his doctorate at the University of Paris in 1956. He was appointed Professor of economics at the University of California at Berkeley in 1962 and became an American citizen in 1975.

Gerard Debreu of California University is the 12th American to have won or shared the economics Nobel prize up to 1983 (since 1969 when the prize was instituted).

Compiler

DROUGHT (*Agricultural economics)

Drought is described as "a condition in which the amount of water that is needed for evaporation and transpiration exceeds the amount actually available." It is also defined as "a period of consecutive days without rainfall."

There are four types of drought: (1) *Permanent drought* which is the characteristic of the driest climate, (2) *Seasonal drought* which is found in the climates that have well-defined rainy and dry seasons, (3) *Contingent drought* which results from the fact that rainfall is irregular and variable everywhere, and (4) *invisible drought*.

K. Puttaswamaiah

FOURTH INDUSTRIAL REVOLUTION (FIR) (*Economics of development)

According to Professor W.W. Rostow of the U.S., the world economy is passing through fourth industrial revolution which started in the eighties (1980's) and comprises innovations in the spheres of micro-chips, optic, fibre, laser and robots. The preceding Third industrial revolution which according to Rostow started in the 1960's led to the developments in the field of electricity, radio, internal combustion engine etc.

Compiler

INDEXED BONDS (*Public finance)

Government founds where the income as well as capital are adjusted for inflation.

Compiler

LAFFER CURVE (*Public finance)

Arthur Laffer, Economics professor at the University of California, U.S.A., is today a mini-legend in the vein of Keynes. The Laffer curve stressing the disincentive effects of higher tax rates resulted in a tax reduction in California and Puerto Rico in the U.S.

The Laffer curve now forms part of a 'brand-new' school of economics called "Supply-side" economics which argues that lower taxes and higher incentives release resources for growth oriented output in the most productive areas thus benefitting society as a whole. The Laffer curve first appeared in 1978 in Jude Wannisky's book *The Way the World Works*.

"When the tax rate is 100 per cent, all production ceases in a monetary economy. . . . if the tax rate is zero, people can keep 100 per cent of what they produce in the money economy. . . output is limited only by the desire of the workers for leisure. . . ."

S. Venu

NO RENT LAND (*Theory of value)

The land which is on or beyond extensive margin of cultivation. It is also called marginal land.

A.W. Stonier and D.C. Hague

The land on the extensive margin of cultivation.

Raymond Bye

PATEL, I.G. (b. 1924) (*History of economic thought)

The former Governor of the Reserve Bank of India and the first Indian who became the Director of the London School of Economics in 1983. Dr. I.G. Patel was the president of the Indian Economic Association in 1966.

Compiler

POTENTIAL GNP (*Economics of development)

The aggregate value of all goods and services produced in a country under non-inflationary and full employment conditions.

O.P. Khanna

PURE-INTEREST (*Theory of value)

Net interest. The amount of interest charged on a loan minus the risk premium and all costs.

W.W. Haines

RATE OF ACCUMULATION (*Theory of value)

The difference between the rate of production and the rate of consumption.

K.E. Boulding

SEIGNIORAGE (*Monetary economics)

If a fee larger than the cost of coinage is charged, the difference between the amount thus taken out and the cost of minting is called seigniorage.

Rajnarain Mathur

Profit made by issuing coin.

Frederic Benham

SPECIALLY EXTENDED FUND FACILITY (SEFF) (*International economics)

One of the money outlets for lending developed by the IMF. It was introduced in 1974. This new facility assists those members whose economies suffer from serious balance of payments difficulties resulting from structural imbalances in production, trade and prices and an inherently weak balance of payments difficulties resulting from structural imbalances in production, trade and prices and an inherently weak balance of payments position.

In November 1981, India borrowed $ 5.75 billion from the IMF on the basis of this facility.

P.R. Brahmananda

SRAFFA PIERO (1898-1983) (*History of economic thought)

A brilliant Italian-born Cambridge University economist of world fame.

Sraffa is the indefatigable collector and editor of 10-volume works and correspondence of David Ricardo. He is also the father of the modern theory of value.

Compiler

The passing away of Piero Sraffa at the ripe age of 85 signifies the loss to economic science of a thinker of the vintage of David Ricardo who was considered by Keynes as the most distinguished mind which found economics worthy of its pursuit. Sraffa's name is associated in economics with the pioneering of two revolutions, one minor and one major. In mid-twenties Sraffa showed up the logical inconsistencies involved in the then powerful Marshallian partial equilibrium approaches to demand and cost curves, and demonstrated the untenability of competitive equilibrium under conditions of decreasing costs.

In the forties and fifties Sraffa meticulously edited 10 volumes of the works and correspondence of Ricardo and by his introduction to volume I of the edited works opened up a new angle to the interpretation of Ricardo's value quests. In 1960 Sraffa published one of the most seminal contributions to economic theory in the form of a small monograph titled 'Production of Commodities by Means of Commodities—Prelude to a Critique of Economic Theory'.

In this work Sraffa completed the foundation of the Quesnay-Ricardo-Ramsay theory of value with a physical rate of profits and a set of prices wholly and exclusively determined by the technological interconnections of the annual circular flow of production. In the set of prices so determined, generally wages as commonly understood have no role and commodities as stock-inputs are all dominant. This procedure yields an invariant measure of values and enables Sraffa to introduce value-implications of alternative distributional configurations in the form of

mixes of shares of wages and rates of profit. Sraffa then demonstrates that commodities and capitals go on manifesting different types of value relations which leave no basis for any meaningful ordering on the basis of postulated attributes like a commodity being intrinsically more or less capital-intensive.

He then brings in the choice of production methods and demonstrates how the technique go on altering in a random manner leaving again no scope for the use of the concept of capital-intensity. It is clear that Sraffa's work correctly-interpretated invalidates the link between the famous Walrasian general equilibrium and marginalism, between general equilibrium and a unique set of distribution shares and also between general equilibrium and demand theory.

The work also shows up fundamental flows in Marx's labour theory of value, his critique of Ricardo and his conception of origin of profits. Sraffa's work thus points to crucial cracks in the foundations of the theories of Walras, Jevons, Bohm-Bawerk, Marshall and Keynes, let alone, it has been argued in those of their followers, like Joan Robinson, Leontief, Samuelson, Hicks *et al.* It has certainly helped to put classical economics and its methodology at the centre of modern debates in economic theory.

P.R. Brahmananda

STONE, SIR JOHN RICHARD NICHOLAS (b. 1913) (*History of economic thought)

An internationally renowned British economist and the winner of 1984 Nobel prize in Economics.

Sir Richard Stone, a retired Cambridge University professor who is the fourth British economist to bag the $ 190,000 award (the first three are J.R Hicks, J.E. Meade and Arthur Lewis), has been chosen by the Royal Swedish Academy of Sciences for the coveted prize for his "fundamental research on national accountancy systems that had radically improved the bases for empirical economic analysis." He received the prize in Stockholm on December 10, 1984, the 88th death anniversary of Alfred Nobel. His work devising economic models—in particular, his path breaking role in designing accounting systems that nations can use to track economic activity—won him the award, wrote *New York Times*. It added, "The Systems of National Accounts have been pivotal in the work of international organisations like the U.N.O., I.M.F., and the World Bank. The essence of Sir Richard's system was to develop double-entry book-keeping on a grand scale: Statistics were to be gathered and processed so that what one sector of the economy spent would show up as income somewhere else so that savings could be related to investment. Households, businesses and governments were all to be included so that the distribution of spending and income among them would be clear as well as the nation's balance of payments with other nations."

With his pioneering work relating to accounting for economic activity, Sir Richard Stone has earned the title of "the father of national income accounting" and has joined the group of the most outstanding economists including J.M. Keynes and P.A. Samuelson. Professor Richard Stone, a pet student of Lord Keynes, has gone a step ahead of his teacher in that while Lord Keynes offered the general theory that the total amount of income or economic activity, in a country, is in the main determined by a combination of consumption, investment and government spending, Richard Stone defined how each of these three elements could be measured and specified interactions between them. He developed an uniform accounting system to measure the national income. The U.N.O. and the industrialised countries have been using these standards for reporting national income.

Richard Stone was born in London on August 13, 1913. The Son of a judge, he studied law at Cambridge University, but finally studied economics under Lord Keynes. After obtaining a degree in 1935, he took a job writing an economic newsletter for a London Stock brokerage firm. Lord Keynes was so much impressed by Richard Stone's work that he asked the latter to join the British Government as a top statistician.

Dr. Richard Stone's important books include *The Measurement of Consumers' Expenditures and Behaviour in the United Kingdom, 1920-1938.*

Compiler

APPENDIX A

COMMONLY OCCURRING ABBREVIATIONS

(1)	*Ibid.*	—*Ibidem* : in the same place/same page.
(2)	*Idem.*	—Same as previously given i.e., same source and same page.
(3)	*op. cit.*	—*Operc citato* : in the work eited/quoted
(4)	*Loc. cit.*	—*Loco citato* : in the same place cited
(5)	*et. seq./et sequins*	—and the one following
	f./ff.	—following
(6)	*Supra*	—above
(7)	*Infra*	—below
(8)	*n.d.*	—no date
(9)	*Q.V.*	—*Quoted Vide* : which sec
	Vide	—see
(10)	ed.	—Editor/edition
(11)	*et al*	—and others
(12)	*CF*	—Confer
	CP	—Compare
(13)	*Passin*	—here and there
(14)	C/ea	—*Circa* : near or about
(15)	Sic.	—thus

M.H. Gopal

APPENDIX B

SELECT ECONOMIC QUOTATIONS

Everything of importance has been said before by somebody who did not discover it.

A.N. Whitehead

Education is the capital to the poor man and an interest to the rich man.

Mann

Devaluation is illegitimate child of inflation.

Gyan Chand

God is a sure pay-master. He may not pay at the end of every week or month or year, but remember, he pays at the end.

Anne of Austria

Wealth consists not in having great possessions but in having few wants.

Epicurus

Anger is an expensive luxury in which only man of a certain income can indulge.

William Curtis

"Economic development is much too serious a topic to be left to economists".

An economist is one who knows all about money and does not have any of it.

Allen, Buchanan and Colberg

Spend not where you may save; spare not where you must spend.

Zimmarine

"Nothing is certain but death and taxes".

"Two watches, two ladies and two economists seldom agree".

"An optimist is one who says his purse is half full; a pessimist is one who says his purse is half empty".

Economists have been productive in areas outside their own fields.

William J. Baumol

Bachelors and spinsters I decidedly venerate. The world is overstocked with featherless bipeds.

Thomas L. Peacock

I hope the bourgeoisie will remember my carbuncles all the rest of their lives.

Karl Marx

A man can be neither a saint nor a lover, nor a poet unless he has comparatively recently had something to eat.

P.H. Wicksteed

Soon or late, it is ideas, not vested interests which are dangerous for good or ill.

J.M. Keynes

The economic welfare of a community of given size is likely to be greater, the larger is the share that accrues to the poor.

A.C. Pigou

Man is an anxious animal.

Adam Smith

Evil exists in the worl, not to create despair, but activity.

T.R. Malthus

A nation can do without its millionairs and its capitalists, but a nation can never do without its labourers.

Mahatma Gandhi

Foreign lending causes war. Foreign giving postpones war. Free foreign trading prevents war.

P.A. Samuelson

Since people do not change their smoking habits as a result of taxation, and since the poor smoke, a tax on cigarettes is really no different from a tax on bread.

P.A. Samuelson

A penny saved is a penny earned.

Benjamin Franklin

"Death pays all debts".

"Lend your money and lose your friend".

Just as a tree is known by its fruits, so is a bank by the functions it discharges.

A.K. Basu

"Saving is a private virtue but a public vice".

The chief business of America is business.

Calvin Coolidge

"You can make even a parrot into a learned political economist—all he must learn are the two words, "supply" and "demand".

Vast majority of the Indians have been trained to agriculture; they are only physically fitted to agriculture and never will practise anything but agriculture.

Lord Curzon

The salvation of India is entirely in its industrial regeneration and development.

V.G. Kale

"Neither great poverty nor great riches will hear reason".

"Population is the biggest and the most flourishing industry of India."

A boy loves fighting; an young man loves women; and an old man loves money.

Confucious

Development is impossible if it does not take place in the minds of men.

Cairncross

Every prodigal appears to be a public enemy and every frugal man a public benefactor.

Adam Smith

A man may own a thousand acres of land and yet be upon a bed of five feet.

A Chinese saying

"The best way to a man's heart is through his stomach".

No country has made progress without positive stimulus from intelligent governments,

W.A. Lewis

"You cannot live without a woman; you also cannot live with a woman".

Mouth and stomach are the two totally unnecessary organs of the human body, for they cause all worry and trouble of mankind throughout the ages.

Lin Yutang

"All human happiness is biological happiness."

A true doctor first finds out the cause of the disease, and having found out that, he tries to cure it first by food; when food fails, then he prescribes medicine.

Sun Ssemio

"It is not necessary to be a great man; it is sufficient if one is a man".

Hanging and wiving go by destiny.

William Shakespeare

"A perfect housewife is one who is a dutchess in the drawing room, an economist in the kitchen, a good wife to her husband and a loving mother to her children".

A beautiful woman smiling means a purse weaping.

Greek proverb

A man without a smiling face must not open a shop.

A Chinese proverb

Women's thoughts originate in the abdomen and travel upwards while man's thoughts originate in the head and travel downwards.

Isadora Duncan

I do not draw a sharp or any distinction between economics and ethics.

Mahatma Gandhi

If your riches are yours, why don't you take them with you to the other world ?

Benjamin Franklin

Things do not change: we change.

H.D. Thoreau

The whole of Government consists in the art of being honest.

Thomas Jefferson

Prosperity is the surest breeder of insolence I know.

Mark Twain

People who are hungry and out of job are the stuff of which dictatorships are made.

F.D. Roosevelt

No democracy can exist for long in the midst of want, and poverty and inequality.

Jawaharlal Nehru

Early stages of economic development are accompanied by considerable dissatisfaction.

Indira Gandhi

The profits of the farmer regulate the profits of all other traders.

David Ricardo

"Even unsteady growth through foreign trade is surely better than no growth at all".

Poor and backward economies when they wake up and set their mind to develop in a hurry and catch up with more developed countries are tempted to overspend and live beyond their means.

Gottfried Von Haberler

To start on a national development programme while leaving the population largely illiterate seems to me to be futile.

Gunnar Myrdal

Poverty is a crime.

Bernard Shaw

We must aim rather at levelling down our desires than levelling up our means.

Aristotle

A nation that spends money on champaigne before it has provided enough milk for babies is a badly managed, silly, vain, stupid, ignorant nation.

Bernard Shaw

Money is honey, my little sonny, and a rich man's joke is always funny.

T.E. Brown

Politics is the art of obtaining money from the rich and votes from the poor on the pretext of protecting each from other.

Anon

What we call progress is the exchange of one nuisance for another.

H. Ellis

Bad theory is better than no theory at all.

Mark Blaug

The less politics there is in business, and the more business in politics, the better for both.

Horace Plunkett

Poverty anywhere constitutes a danger to prosperity everywhere.

Philadelphia Charter

Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men.

Lord Acton

It is vain to say that all mouths which the increase of mankind calls into existence, bring with them hands. The new mouths require as much food as the old ones and the hands do not produce as much.

J.S. Mill

Money is barren. Money begets no offspring.

Aristotle

Economics does not offer cut and dried solutions for every problem.

Frederic Benham

Manna no longer falls from heaven.

Frederic Benham

Money is not an end in itself.

R.S. Sayers

"Free trade like honesty remains the best policy."
"If science is the mother of invention, finance is its father".
The tariff is the Mother of Trusts.

Havenmeyer

The age of chivalry is gone; that of sophisters, economists and calculators has succeeded.

Edmund Burke

Workers of the world, unite! you have nothing to lose but your chains.

Karl Marx

Flowers and kisses are all very well but a diamond ring lasts for ever.

P.A. Samuelson

We used to go to the stores with money in our pockets and come back with food in our baskets. Now we go with money in baskets and return with food in our pockets.

A. Southerner

Knowledge is the only instrument of production that is not subject to diminishing return.

J.M. Clark

How to have your cake and eat it too; lend it out at interest.

Anonymous

The desire for food is limited in every man by the narrow capacity of the human stomach.

Adam Smith

"Something is all right in theory but all wrong in practice".

Abundance and cheapness are not wealth; scarcity and dearness are misery; abundance and dearness are opulence.

Quesnay

Neither a borrower nor a leader be; for loan oft loses both itself and friend.

William Shakespeare

Banks are not merely purveyors of money but also in an important sense, manufacturers of money.

R.S. Sayers

How little you know about the age you live in if you fancy that money is sweeter than cash in hand.

Ovid

Economic ideas are unproductive if they do not spread beyond the world of scholars.

S.E. Harris

Whatever tends to the depopulating of a country tends to the impoverishment of it.

Child

All men act from self interest.

Adam Smith

APPENDIX C

SELECT WEIGHTS AND MEASURES

1 Kilometre	—	0.621372 mile
1 Mile	—	1.609 Kilometres
1 hectare	—	2.4711 acres
1 Acre	—	0.4047 hectares
1 Kilogram	—	2.2046 pounds (lbs.)
1 Pound (lb)	—	0.4536 Kilogram
1 metric ton	—	1000 Kilograms
1 lb	—	5760 grains (used in weighing gold and silver etc.)
1 gross	—	12 dozen

Subject Index

Author Index

Although Karl Marx never worked out a theory of business cycle, from his scattered remarks about crises, it will be found that according to him crises in capitalism are seen to result either from the tendency of the rate of profit to fall or from underconsumption caused by the antagonistic conditions of distribution. This is one line of argument. The second line of reasoning indicated by the following passage:

"The last cause of all real crises remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit".

George N. Halm

CROMPTON, SAMUEL (*Industrial economics)

He invented spinning mule for textile industry in 1799.

Compiler

CROP LOAN (*Agricultural economics)

The loan that is granted to the farmer not against the security of land but on the basis of an estimate of the future buying capacity of the borrower.

Das and Chatterji

An innovation suggested by the All-India Rural Credit Survey Committee. According to this, the agricultural loan must be granted not on the basis of the value of the land but on the basis of the value of the anticipated crop on the land.

Compiler

CROPPER (*Agricultural economics)

A Farm labourer who receives a specified share of the crop.

Forster and Leager

CROSS-CUT ANALYSIS(*Business cycles)

A method of forecasting business cycles. It is an examination of the factors at any one time making for expansion and the factors making for contraction, weighing them against each other, and from the balance of their respective force and influence predicting the probable outcome in the near future.

James Arthur Estey

CROSS ELASTICITY OF DEMAND (*Theory of value)

The responsiveness of demand to changes in the prices of commodities. It is defined as

$$\frac{\text{per cent change in quantity demanded of goods X}}{\text{per cent change in price of goods Y}}$$

Richard G. Lipsey

The percentage change in the amount of the product *A* that will be bought in response to a given percentage change in the price of product *B*.

G.L. Bach

Cross elasticity of demand, a type of clasticity of dcmand [other kinds being (i) price elasticity, (ii) income elasticity, and (iii) substitution elasticity] refers to the degree of responsiveness of demand of a good, to a change in the price of a related good which may be either a substitute or a complement, the money income, the price of the commodity (in question) and tastes of the consumer remaining the samc.

Compiler

Cross elasticity of demand relates to percentage changcs in the quantity demanded of one commodity to percentage changes in the price of another commodity. Low cross elasticities of demand between a commodity and its substitutes could be an indication that the commodity is monopolized.

D.S. Watson

CROSS-SECTION ANALYSIS (*Economics of development)

The study of a series of recordings of economic data for different individuals, firms, and countries at the same period of time. It is a method of economic investigation and research. It is opposed to the time-series analysis which studies economic data through time. The best examples of cross-section analysis are censuses of population and production.

Compiler

CRUSOE ECONOMY (*Economics of development/theory of value)

Named after Daniel Dafoe's classic novel *Robinson Crusoe*, Crusoe economy, imaginary as it is, signifies one man economy or an economy of an isolated individual. This type of economy shows how a shipwrecked single man satisfies his wants on a solitary desert island.

Since some of the Classicists, in their attempt to distiguish between use value and exchange value, drew quite frequently upon the experiences of Robinson Crusoe, they were deridingly called Robinson Crusoe economists.

Compiler

Robinson Crusoe has to allocate the very limited resources at his disposal (including his own labour) among the many different tasks which he plans and performs to satisfy his wants. He has to decide which commodities he is going to produce with his limited resources, and he will try to get maximum possible satisfaction. He considers present as well as future wants. He must produce instruments that will improve thc productivity of his labour, if he were to increase his future consumption substantially. But in doing so he is left with fewer commodities for

immediate consumption because he will have diverted part of his entergies from consumer goods to capital goods (instruments). He uses all the resources at his disposal until the marginal disutility of his labour is equal to marginal utility of the product.

His decisions are relatively easy; his economy is simple; his decisions do not need price-cost calculations; he allocates his labour and material resources to the best advantage. He does not use money, he cannot buy or sell, he cannot go bankrupt or become unemployed. The concept of capitalism and socialism have no meaning for him. His economy is perfectly isolated and, therefore, no part of a social economy in which millions of people co-operate.

George N. Halm.

C'S OF CREDIT (*Monetary economics)

Character, capacity, capital and collateral.

Compiler

CULTIVABLE (CULTURABLE) WASTE LAND (*Agricultural economics)

*Land which is capable of cultivation but is wasted due to non-*cultivation.

G.M. Meier and R.E. Baldwin

CULTURAL CAPITAL (*Economics of development)

The background of knowledge accumulated by the society.

Arthur Lewis

CUM-DIVIDEND (*Industrial economics)

With dividend. Cum is Latin for 'with'. The buyer of a share quoted cum dividend is entitled to receive the next dividend when due.

Compiler

CUMULATIVE PROCESS (*Business cycles)

The process which once started, it proceeds by its own momentum. It is self-propelling.

Gottfried Von Haberler

CURRENCY (*Monetary economics)

Metallic and paper money (issued by the state). It can also be called pocket-book money.

Raymond Bye

Coins and paper bills issued as money by the government.

G.L. Bach

The legally recognised bank note.

G. Crowther

Coins and paper bills used as money. In international trade, currency refers to any form of foreign money, most foreign currency transactions involve bank deposits.

W.W. Haines

The term currency refers to notes and coins that are the official medium of exchange. The term is narrower than 'money' which besides currency (M) includes bank money i.e. bank deposits or cheque money (M'). It may also be noted that the word money is a collective name for the currencies of all the countries while, the word currency denotes the money of a particular country.

The name currency because it runs or passes from hand to hand.

Currency is distinguished as hard currency, soft currency and international currency. Hard currency as opposed to soft currency is the one which is scarce in relation to demand, e.g. $, gold and some of the hard currencies like American dollar are described as international currency as they are accepted by all the nations in the settlement of international monetary obligations.

Each country has its own currency and the rate of exchange between the two currencies is determined under the ageis of the I.M.F. or according to demand and supply conditions. The Indian currency is Rupee.

Compiler

CURRENCY CIRCULATION (*Monetary economics)

The amount of currency issued minus that portion held by the monetary authorities.

W.W. Haines

CURRENCY DEPRECIATION (*Industrial economics)

Autonym of currency appreciation. It implies automatic decline in the external value of a currency as brought with by the forces of demand for and supply of the currency. Depreciation is different from devaluation in that the latter relates to the deliberate reduction by the government of the value of its currency in terms of gold and foreign currencies, with a view to correct chronic disequilibrium in balance of payments position.

Compiler

CURRENCY OUTSIDE BANKS (*Monetary economics)

The currency portion of purchasing power in the hands of the public. It consists of currency in circulation minus vault cash held by banks.

W.W. Haines

CURRENCY PRINCIPLE (SCHOOL) OF NOTE ISSUE (*Monetary economics)

One of the two diametrically opposed principles that generated a long controversy and furore in the monetary circles of England on the eve

of Sir Robert Peel's Bank Charter Act of 1844. (The other is the Banking principle). According to this principle which was advanced by Thomas Joplin, currency notes must be issued with cent per cent backing of gold (metallic reserves), that is to say, the note issue must be restricted to the amount of gold held by the issuing authorities.

Compiler

CURRENT ACCOUNTS (*Monetary economics/International economics)

The bank deposits are of two types, *viz.*, primary deposits and derived deposits. The latter refers to created money or bank credit; while the former relates to the money deposited by the public with the banks. The primary deposits are of three kinds: (i) fixed or time deposits, (ii) savings deposits, and (iii) demand deposits. Demand deposits as they are called in the U.S.A. are known as current accounts in England. Current accounts are the deposits which are withdrawable on demand by cheques. Generally no interest is paid on them.

Compiler

The (overall) balance of international payments of a country is divided into (i) balance of payments on current account, and (ii) balance of payments on capital account. Here the expression 'current account' is used as the opposite of capital account. (The capital account deals with payments of debts and claims); the current or trade account deals with payments for currently produced goods and services (including interest earned or paid on claims). It is the same as the balance of trade.

Current account transactions create or employ current income (while capital account transactions do not). Sales of currently produced goods and services to foreigners involve the creation of income for the producers of those things. Purchase of goods or services from foreigners involves expenditure of current income that would otherwise have been available for purchase of home-produced goods or services. Current account receipts are, therefore, an injection into the circular flow of income in a country's economy, while current account expenditures are a leakage. (Capital transaction, on the other hand, do not directly influence income nor are they made out of income: they affect the asset-holding side of the picture).

A.C.L. Day

CURRENT ASSETS (*Monetary economics)

Liquid assets—those that could be quickly converted into cash, if need be, to pay debts that are due in the near future or to meet emergencies.

Raymond Bye

CURRENT DEPOSITS (*Monetary economics)

Current accounts, (See "current accounts").

Compiler

CURRENT EXPENDITURE (*Public finance)

The public expenditure may be classified into (a) revenue or current expenditure, and (b) capital expenditure. The current expenditure is met out of the current revenue namely taxation (while capital expenditure out of receipts from capital items).

The revenue expenditure which is recurring, is categorised into (a) civil expenditure, (b) defence expenditure, and (c) grants-in-aid. Civil expenditure is further divided into (i) expenditure on civil administration, (ii) debt services, (iii) social and developmental services, and (iv) transfers to the state governments. (capital expenditure comprises expenditure by the government on the development on agriculture, industry, transport etc.)

Compiler

CURRENT LIABILITIES (*International economics/Monetary economics)

The debts that must be paid in the very near future.

Raymond Bye

CURRENT MONEY (*Monetary economics)

The aggregate of state money and bank money.

J.M. Keynes

CURRENT OUTLAY (*Economics of planning)

It represents expenditure other than investment, and includes expenditure on revenue account on plan schemes.

Compiler

CURRENT OUTPUT (*Keynesian economics)

All output for which the factors of production are remunerated including amongst the factors of production, the owners of capital and, therefore, including in output the current use of fixed consumption capital and income from foreign investment.

J.M. Keynes

CURRENT OUTPUT OF THE COMMUNITY (*Keynesian economics)

A flow of goods and services which consist of two parts—(a) the flow of liquid goods and services which are in a form available for immediate consumption and, (b) the net flow of increments (after allowing for wastage) to capital goods and to loan capital which are not in a form available for consumption.

(a) is to be called 'liquid' or 'available' output;
(b) is to be called 'non-available' output.

J.M. Keynes

CURRENT REVENUE (*Public finance)

Revenue of the government from tax measures.

Compiler

CUSTOMARY RESERVES (*Monetary economics)

The amount of liquid assets that a bank holds as a matter of prudence in addition to any assets required by law.

W.W. Haines

CUSTOMS (*International economics)

Customs duties in the modern sense of the term are public taxes on goods crossing the borders of a territory.

J. Gruntzel

Duties (taxes) on imported and exported goods. The import duties and export duties are collectively termed as customs duties or simply customs. They may be either *ad valorem* or specific.

Compiler

Customs duties or tariff duties are the duties imposed upon goods imported into a country. The duty is collected from the importer at the time the goods enter the country and hence it becomes an element of cost of the goods to him. The intent of the import duty is generally to discourage importation of a goods by an artificial tax addition to its price. Nevertheless, a tariff for protective purposes incidently produces revenue, unless duties are so high as to stop importation completely. In fact the customs tariffs have been imposed to achieve both.

P.E. Taylor

CUSTOMS QUOTAS (*International economics)

The practice of allowing a certain amount of commodity (being imported) at a favourable duty and after that point charging normal duty.

K.K. Dewett

CUSTOMS UNION (*International economics)

An association of two or more independent tariff territories to form one customs area, involving the elimination of all inter-territorial customs barriers and the adoption of common tariff policy.

J. Pentmann

Customs union (alongwith tariff union and economic union) is a form of horizontal method (as opposed to sectoral or vertical method) of international economic integration or unification.

In a customs union, as in tariff union, the same external tariff and customs legislation are accepted (import duties being abolished in trade between the participating states), but in addition excise duties and other

consumer taxes as well as (if possible) taxes on the transfer of movable property, are standardised.

In a free trade (which is the opposite of customs union) too internal trade barriers like customs duties, are abolished, but the member countries maintain their own tariff *vis-a-vis* the outside world (i.e. the third countries).

M.A.G. Van Meerhaeghe

Benelux and the European Common Market exemplify Customs Union.

Jacob Viner in his pioneering book *The Customs Union Issue* (1950) argued that a customs union led to "trade creation" and "trade diversion" —the terms coined by himself.

See also "Free trade area".

Compiler

CUT-THROAT COMPETITION (*Thoery of value)

It refers to discriminatory and unfair price cuts made by a large firm in order to injure the interests of smaller firms. The large firm may resort to price reductions only in those areas where rival firms are operating while maintaining the normal price elsewhere.

M.L. Seth

CYCLICAL FLUCTUATIONS (*Business cycles)

The wave-like fluctuations of business activity characterised by recurring phases of expansion and contraction in periods longer than a year.

James Arthur Estey

CYCLICAL UNEMPLOYMENT (*Keynesian economics)

Mass unemployment is sometimes known as cyclical unemployment on account of its association with the trade cycle.

J.L. Hanson

Also called Keynesian unemployment, it is the unemployment caused by the deficiency in aggregate effective demand for goods.

K.K. Dewett

Unemployment which is associated with the downswing of the trade cycle. It affects nearly all forms of production. It is the most serious since it results in mass unemployment in the economy.

Compiler

There is an INDEX OF AUTHORS and also a SUBJECT INDEX at the end of volume V.